

FINANCIAL TIMES

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D 8523 B

Wishful thinking on
U.S. defence
priorities, Page 12

World news

Business summary

Mandela rejects freedom offer

Black South African nationalist Nelson Mandela in jail for over 20 years, rejected President P. W. Botha's conditional offer of freedom.

The terms were that he should reject violence as a means of achieving political ends. In a statement read for him in Soweto, Mandela said he would not accept release while the African National Congress was banned.

While Mandela and other ANC leaders who are jailed with him in Robben Island prison outside Cape Town have turned down conditional freedom offers, two unnamed political prisoners held on Robben Island have accepted unconditional offers. Page 2

Party choice

Portuguese Minister of Justice Rui Machete was chosen as the new president of the Social Democratic Party, junior partner in the country's centre-left coalition Government. Page 2

Pacific protest

Thousands of people defied New Caledonia's official curfew and crowded the streets to protest against independence plans for France's troubled South Pacific territory.

Swiss suspects

Swiss police arrested two West Germans in connection with the abduction last month of Sven-Axel Springer, grandson of German publisher Axel Springer. They are former pupils of his Swiss school.

Hassan cut

Spain's state-controlled television cut an interview with King Hassan of Morocco after a preview, including remarks on his country's sovereignty claims over the Spanish enclaves of Ceuta and Melilla, provoked a nationalist outcry.

Wales appeal

Lech Walesa, the Polish dissident leader, applied for a national accord in the aftermath of the trial of the murderers of Father Jerzy Popieluszko, the pro-Solidarity priest.

Sri Lanka 'pact'

The possibility of a closer and more co-operative relationship developing between India and Sri Lanka emerged after a meeting in New Delhi between Indian Prime Minister Rajiv Gandhi and Lankan Minister of Foreign Affairs, National Security Minister of Sri Lanka. Page 2

Lebanon bombing

A car bomb exploded outside a Muslim militia headquarters in Tripoli, Lebanon, killing seven people and wounding about 25.

Drought aid probe

The Ethiopian Government is investigating why substantial amounts of cash raised in Europe and North America for drought relief are not reaching the country.

Warning to Labour

British Labour Party deputy leader Roy Hattersley said the party must reject extreme left-wing calls to challenge the Conservative Government by defying the law or industrial disruption. Page 5

UK pensions move

The UK's state earnings-related pension scheme will be abolished if the Cabinet accepts the recommendations of Social Services Secretary Norman Fowler to radically reform Britain's social security arrangements. Page 5

Tokyo-Europe service

Japan Air Lines is to launch the first non-stop Tokyo-Europe service in April 1985. Cutting out the Moscow stop will trim about 2½ hours off the 14-hour flight.

Eastern Air Lines close to debt deal

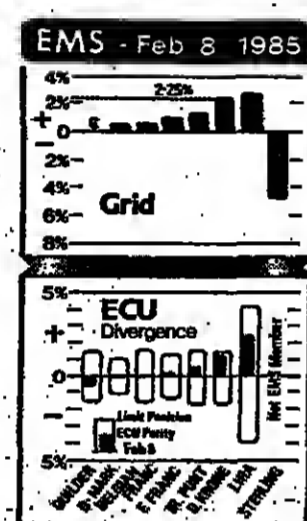
EASTERN AIR LINES of the U.S. is close to resolution of its immediate debt problems and the battle with its trade unions over proposed pay cuts. Page 17

LATIN AMERICAN debtors signalled a new mood of pragmatism in their efforts to persuade the industrialised countries and the international financial community to consider ways of dealing with the region's \$350bn foreign debt. Page 2

BOLIVIAN peso was devalued from 9,000 to 45,000 to the U.S. dollar. Page 2

BRAZILIAN Government is attempting to dispose of the assets of the Sul Brasileiro financial group, which it rescued from the brink of collapse last week, among a group of eight leading banks. Page 17

EUROPEAN Monetary System: The Dutch guilder continued to lose ground last week as the dollar rose. Page 2



to record levels. A strong dollar has always allowed weaker EMS currencies to benefit against their stronger partners. The traditionally strong guilder remained the bottom-placed currency within the system, followed by the other strong currency, the D-Mark. Both suffered because of the dollar's rise, which came despite sporadic central bank intervention throughout the week. The Bank of France may also have bought D-Marks as the latter fell against the French franc. The lira remained in top position, unaffected by recent suggestions that it should be devalued. Page 28

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2½ per cent. The lower chart gives each currency's divergence from its 'central rate' against the European Currency Unit (ECU), itself a basket of European currencies.

INTERNATIONAL Monetary Fund officials are in Warsaw to discuss Poland's admission to the organisation, possible by mid-1985.

MALAYSIAN authorities have given Multi-Purpose Holdings, a Chinese investment group, permission to build a 1.3m ringgit (\$400m) commercial complex in Kuala Lumpur after 10 years of negotiation. Page 17

EUROPEAN COMMUNITY and the six Central American republics are expected to sign a comprehensive political, economic and financial agreement by the summer. Page 2

AEROSPATIALE, the French state-owned aircraft and aerospace company, has won a contract worth \$100m from the Brazilian air force to supply 15 Super Puma helicopters. Page 3

CHICAGO court has ruled in favour of Soo Line's \$571m offer for the bankrupt Milwaukee, St Paul & Pacific Railroad against a rival \$786m bid from Chicago & North Western which it said would have hampered competition.

GENERAL MOTORS, the U.S. car manufacturer, has named William Highland, former chief of its operating staffs group, to head the Saturn small car project after the death of Joseph Sanchez. Page 17

Honda sets sights on full car production in Britain

BY PETER RIDDELL AND JOHN GRIFFITHS IN LONDON

HONDA has told Britain's Department of Trade and Industry (DTI) that it intends to build an engine manufacturing plant on a 330-acre site at Swindon, in southern England, which will be followed by full car production.

The "greenfield" site has already been acquired, following negotiations with the local Government authority last year, and Mr Tadashi Kume, Honda's president, is expected to perform a "ground-breaking" ceremony next month.

Executives of Honda's wholly-owned importing subsidiary in the UK have consistently maintained

that the company was seeking a much smaller, site at Swindon only to install a test and preparation centre for the "CX" and "HX" executive cars developed jointly with Britain's Austin Rover, which is to start building the cars for itself and Honda later this year. Austin Rover is part of BL, the UK state motor concern.

Few details of the manufacturing projects, or their time-scale, are known. Senior officials within the DTI say they regard them as being very long-term, and having no necessary connection with any forthcoming UK Government decisions about the BL corporate plan and

Austin Rover's increasingly close collaboration with Honda.

While the DTI is being kept in touch with Honda's planning and has been told of the Swindon proposals, the department is reluctant to discuss the matter further because of commercial confidentiality. It also suggests that there is no immediate reason for government involvement, indicating that Honda has yet to approach the Government for any form of investment aid.

The Government is planning to provide £112m (£123m) in financial assistance to Nissan, the first Japanese car maker to announce a car

production project in the UK, provided it progresses from assembly of 24,000 cars a year, starting in 1986, to full manufacturing (including engines) of at least 100,000 cars a year by 1990.

The aid for that project, on a 800-acre site in the high-unemployment area of Washington, in north-east England embraces £35m in selective financial assistance, £45m in regional aid £20m under further assorted aid schemes.

The engine plant is expected to supply units both for Honda's own use and further joint projects with BL.

Honda, however, sees the Swin-

don project as separate from, although complementary to, its collaboration with BL.

Like Nissan, it sees the UK plant as opening an unrestricted door to Western Europe's 10m units-a-year car market, which rivals in importance that of the U.S.

Virtually all the main EEC markets currently have formal or informal quota restrictions on Japanese car imports, which in Honda's case have kept sales down to slightly over 100,000 units a year.

Honda has already spent nearly \$500m in the U.S. on installing car-making capacity as a means of countering protectionist sentiment.

It also plans to install an engine plant at its Marysville, Ohio, factory to come onstream in 1988, and will start reducing cars in Canada in 1987 to round out its plans to become the largest Japanese producer in North America.

The timing for completion of these plans would appear to fit neatly for a move into production in continental Europe at about the same time as Nissan moves to full manufacturing.

While the Nissan project has caused some anxieties among car makers, it has also caused some anxieties among car makers.

Continued on Page 14
Honda's expansion, Page 3

Tension on monetary targets mounts before key Fed policy talks

BY STEWART FLEMING IN WASHINGTON

THE U.S. Federal Reserve Board's monetary policy-making Open Market Committee assembles tomorrow for one of the key sessions on its annual calendar amid signs of emerging tension between the central bank and the Reagan Administration.

Wall Street economists expect the committee to debate the question not only of whether current monetary policy should be changed, but also whether or not to revise the tentative monetary growth targets set last July for 1985.

Already some Administration officials have made it clear they want to see the Fed revise its targets to allow it to be more flexible, and initially, more relaxed in the restraints it puts on the growth of the money supply.

Last week President Reagan himself, in a letter accompanying the annual report of his Council of Economic Advisors, voiced explicit criticism of the central bank's recent monetary policy decisions. In his State of the Union address, the President appeared to be pressing the Fed to support a policy of more rapid economic growth as a way of helping to defuse the threat posed by the \$200bn-plus federal budget deficit.

At present the Fed has set a growth target of between 4 and 7 per cent for the narrow M1 mea-

sure of the money supply, the monetary aggregate which the Fed feels is the most important for conducting monetary policy.

Last week, however, the Council of Economic Advisors called for a revised monetary target—apparently with full support from the Administration. The council recommended that the Fed, in selecting its M1 growth target for 1985, should instead of using as its starting point the actual average level of the money stock in the fourth quarter of 1984, use the mid point of the target range which was set for the period.

Although at one level a narrow technical argument, the issue has potentially significant implications. It would raise the starting point on which monetary growth is to be calculated by some \$50bn because actual monetary growth was slow in the fourth quarter. It would thus create greater flexibility for the Fed in interpreting how tight or easy current monetary policy should be.

The M1 measure of the money supply is growing above its existing target range at present and in the view of some Wall Street economists this is one of several factors which will encourage the Fed not to ease its monetary policy at this week's meeting.

Dr William Griggs, an economist with Griggs and Santow in New

York, says evidence that the U.S. economy appears to be recovering from the slowdown in growth in the second half of last year, the fact that the monetary aggregates are growing above target levels, and a reluctance to declare a premature victory over inflation will tend to reinforce the arguments of those Open Market Committee members who do not favour easing monetary policy now.

Dr Griggs, like many Wall Street economists, is not expecting any tightening of Fed policy either, but thinks the central bank will maintain its current monetary stance.

Mr Paul Volcker, the Fed chairman, warned last week about the dangers of excessive monetary growth and argued that the U.S. does not have the option of inflating its way out of the federal budget deficit. But Mr Preston Martin, vice-chairman of the Fed, called in a speech on Friday in Atlanta for more flexibility in the implementation of monetary policy in order to sustain economic growth.

Mr Martin's view appears to be more in tune with what President Reagan would like to see from the independent central bank. In his weekly radio broadcast on Saturday, Mr Reagan again argued that economic growth is the best solution for the budget deficit.

U.S. banks seek to lift limit on bourse activities

BY PAUL TAYLOR IN NEW YORK AND DAVID LASCELLES IN LONDON

AMERICAN BANKS are pressing the Federal Reserve Board to ease a regulation which limits sharply the amount of securities underwriting that a foreign subsidiary can do anywhere in the world.

They are particularly concerned about the regulation's impact on the links that U.S. banks are forging with London stockbrokers to take advantage of the liberalisation of the UK securities markets. Unless it is lifted, they fear, they will be left at a serious disadvantage when London Stock Exchange membership is opened up some time in the next year or so.

The restrictions, contained in the little-known Regulation K, state that overseas subsidiaries of U.S. banks may only underwrite equity securities up to \$2m at a time, or 20 per cent of the capital of an issuer, unless the underwriter is covered by "binding commitments from sub-underwriters or other purchasers."

Bankers maintain that this figure is far too small to allow them to engage in equities underwriting in any meaningful way. The Fed is currently reviewing the regulation and has received lengthy submissions from the banks. It is not clear, however, how or when these restrictions will be modified.

The regulation amplifies the limitations that have long existed on U.S. banks' domestic underwriting abilities by virtue of the 1933 Glass-Steagall Act, which created a strict division between commercial and investment banking.

The New York Clearing House, which represents the interests of the 12 largest banks in the city, is urging the Fed to raise the \$2m limit to \$25m, and the 20 per cent limit to 50 per cent.

In a report to the Fed it called for

Links between U.S. banks and UK securities firms

Bank	Broker/underwriter	Ownership envisaged %
Citibank	Vickers de Costa Securities	100
Chase Manhattan	Lea, Loe, Milbank Simon & Coates	100
Security Pacific	Hoare Govett Charles Puley	100
North Carolina National Bank	Pannure Bordon	29.9

"prompt consideration" of its recommendations "because of recent developments in the United Kingdom equity markets."

Despite these protests, bankers and their lawyers are doubtful that the Fed will respond with more than a token easing of the restriction because of the strength of popular anti-bank feeling in the wake of recent U.S. bank crises.

Because of this, several large U.S. banks are preparing to launch what they expect could be a long court battle to challenge the rules.

"We are exploring a number of avenues to deal with the situation," said Mr Robert Smith, vice-chairman of Security Pacific, the California bank which is aiming to be up with UK stockbrokers Hoare Govett and Jobbers Charles Puley. He described Regulation K as "an irritant" rather than a stumbling block which could affect the value of his bank's investment in Hoare Govett.

London Stock Exchange timetable, Page 14; London stock prices, Pages 28, 29

American corporate profits rise 14%

By Terry Dodsworth and Paul Taylor in New York

U.S. CORPORATE after-tax profits rose last year by 14.4 per cent to \$145.8bn according to preliminary estimates from the Commerce Department.

The increase, after a 21.6 per cent jump in 1983, was rather less than expected earlier in the year after the extremely strong first-half.

Profits fell away in the second half, broadly reflecting the slowdown in the economy and the surprisingly competitive pricing environment.

The month-long labour dispute at General Motors also threw out many calculations, reducing the car group's profits alone by at least \$300m, according to some analysts. Earnings were still ahead at \$4.5bn against \$3.7bn in 1983, however.

Wall Street believes that companies will again find it difficult to push through big price increases this year, thus reversing the trend of the 1970s in which profits at this stage of the economic cycle tended to reflect inflationary pressures.

Even so, analysts are projecting profits increases in 1985 of between 5 per cent and 12 per cent for the year. Salomon Bros, for example, is forecasting a \$2 increase in per-share earnings for the company's broadly-based Standard & Poor's 500 index to \$19 a share. Moderate wage settlements are expected to help profits considerably, following the exceptionally low increases agreed in unionised contracts last year. According to the Labor Department, average annual increases over the lives of the three-year contracts negotiated last year will amount to 2.6 per cent.

The 1984 results of U.S. corporations threw up some sharp contrasts. Continued on Page 14
U.S. corporate results, Page 12

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OVERSEAS NEWS

Mandela rejects conditional freedom

By Jim Jones in Johannesburg

MR NELSON MANDELA, the imprisoned black South African nationalist leader, yesterday firmly rejected a conditional offer of freedom made last week by President Pieter Botha. In his public response, read by his daughter, Ms Zindzi Mandela, to a meeting arranged by the United Democratic Front in Soweto, Mr Mandela said he would not accept release while the African National Congress was still banned.

President Botha's offer to end Mr Mandela's 20-year imprisonment was conditional on his rejection of violence as a means of achieving political ends. In response, Mr Mandela called on Mr Botha to renounce violence, to say that he will dismantle apartheid, to unban the ANC, to free everyone imprisoned for opposition to apartheid and to guarantee free political activity to allow the people to decide who would govern them.

Mr Mandela's response to President Botha's offer etches the differences between the country's white and black leaders. In saying that only free men could negotiate and that prisoners could not make contracts, Mr Mandela made clear that even out of prison he felt that he would not be entirely free.

Two unnamed political prisoners held on Robben Island have accepted conditional freedom offers after serving more than 20 years of their life sentences.

Israel attacks Palestinian guerrilla base

By David Lennon in Tel Aviv

ISRAELI WAR planes attacked a Palestinian guerrilla base in eastern Lebanon near the Beirut-Damascus highway yesterday after an Israeli soldier was killed and three others wounded in an ambush in southern Lebanon, earlier in the day.

The army said the air force had hit a building which had been used by the Democratic Front for the Liberation of Palestine to launch attacks on Israeli troops in Lebanon. It was the second air strike against Palestinian bases in Lebanon this year.

There has been a major escalation in the number of attacks on the Israeli forces in Lebanon, since Jerusalem announced it would withdraw its forces from the Sidon area by February 18. Most of the attacks are carried out by the local Shiite Muslim population opposed to the Israeli occupation.

Yesterday's ambush was near the port town of Tyre. This area will remain under Israeli control after the first phase of the withdrawal is completed this month.

Another Israeli soldier who was injured in a guerrilla attack in Lebanon last week died of his wounds over the weekend and was buried yesterday.

A car bomb exploded outside a Muslim militia headquarters in Tripoli yesterday, killing eight people and wounding about 25, Reuter reports from Lebanon.

The bomb went off in front of the headquarters of the Islamic Jihad Movement (Tawheed), a powerful Sunni Muslim fundamentalist group which has fought with a Syrian Alawite militia for control of the northern port city.

Cartagena group rethinks approach on debt

BY ROBERT GRAHAM IN SANTO DOMINGO

LATIN AMERICAN debtors have signalled a new mood of pragmatism in their efforts to persuade industrialised countries and the international financial community to consider new ways of dealing with the region's \$350bn (\$518bn) foreign debt.

Foreign and finance ministers of the 11-nation Cartagena group of Latin America's major debtors were anxious to convey this message after two days of meetings ended here late on Friday.

All rhetoric was dropped at the third ministerial meeting of the Cartagena group and the emphasis was laid instead on seeking practical ways to ease the debt problem. The meeting was better prepared at expert

level and for the first time the group will submit proposals in the form of papers to the International Monetary Fund and the World Bank.

These papers will be submitted to the IMF's interim committee and the World Bank's development committees for consideration at their April 17 and 18 meetings in Washington.

The IMF paper will emphasise the need to reduce conditionality in lending and will contain proposals for changes in the general agreement to borrow. The World Bank paper will suggest greater use of co-financing operations with commercial banks to provide fresh development funds and will include proposals for increasing the bank's capital.

Since the U.S. and its main Western allies at the London summit last June opposed any solution to the debt crisis that did not come via close involvement of the IMF this development is a concession, giving greater importance to approaches through the IMF and the World Bank.

Although ministers here feel that the U.S. Administration is still fundamentally opposed to political initiatives, they believe that Washington could become a little more responsive in the light of the restructuring agreements reached with their creditors by Argentina, Mexico and Venezuela (Brazil's agreement is imminent). These agreements have been concluded bilaterally but the

Cartagena group announced in its final communiqué that it would press for similar terms in restructuring agreements for all the members. The group includes Argentina, Bolivia, Brazil, Chile, Colombia, Ecuador, Mexico, Peru, the Dominican Republic, Uruguay and Venezuela.

Peru has ruled out the possibility of reaching an agreement with the IMF before July because of impending presidential elections. Sr Luis Perceval, the Peruvian Prime Minister, said he did not expect any agreement "in the months which remain for the present government." The first round of presidential elections is due on April 14.

EEC, Central America pact expected by summer

BY RUGH O'SHAUGHNESSY

A COMPREHENSIVE political, economic and financial agreement is expected to be signed between the European Community and the six Central American republics by the summer. It is likely to be followed by a meeting in Europe of the Central American and EEC foreign ministers.

The pact, which has already been approved by M. Claude Cheysson, the Community commissioner for external affairs, will be discussed by the Commission at the end of the month and by the Council of Ministers in March.

As foreseen at the conference of European and Central American foreign ministers held in

San José in September, the document will be signed by the five members of the Central American Common Market (Guatemala, Honduras, El Salvador, Nicaragua and Costa Rica) and Panama.

It will cover increased European aid to the region and support for economic integration and peace initiatives.

Yesterday Vice-President Sergio Ramirez of Nicaragua met for more than an hour with Mrs Margaret Thatcher, UK Prime Minister, at Downing Street. He asked British and other European states to try to persuade the Reagan Administration to moderate its hostility to Nicaragua.

Bolivia devalues peso and orders price increases

BY MARY HELEN SPOONER IN SANTIAGO

THE BOLIVIAN peso has been devalued from 9,000 to 45,000 to the U.S. dollar, as President Hernán Siles Zúñiga's Government struggles to contain the country's severe economic and political crisis.

Authorities have also ordered increases in the prices of basic necessities and a 340 per cent wage bonus for the Bolivian workforce.

The measures were announced after a nine-hour Cabinet meeting on Saturday and came in the midst of a series of demonstrations and work stoppages by labour and peasant groups.

Sr Freddie Justianiano, Planning Minister, said the package of measures, the most drastic

since the Siles Government took office in late 1982, were aimed at stimulating exports, reducing the fiscal deficit and curbing the country's hyperinflation.

Last year the Bolivian annual inflation rate reached 2,700 per cent, and was expected to reach the five digit level this year unless the authorities took action.

Most foreign exchange transactions in Bolivia take place on the black market. On Friday the dollar was being exchanged for 120,000 pesos.

The Government's measures will raise the prices of basic food prices such as bread, meat, poultry and sugar by up to 400 per cent.

Howe welcomes arms talks

BY PATRICK BLUM IN SOFIA

SIR GEOFFREY HOWE, the British Foreign Secretary, yesterday completed the first of a series of visits to East European nations with a warning against overly optimistic expectations of an early breakthrough in the Geneva arms control talks between the U.S. and the Soviet Union.

"The negotiating process will be neither quick nor easy," he said after meetings with Romanian leaders in Bucharest on his way to the Bulgarian capital of Sofia.

Sir Geoffrey said that both Britain and Bulgaria welcomed the resumption of the talks and repeatedly emphasised what he called the Western alliance's commitment to arms control.

He added, however, that it was now up to the Warsaw Pact to give a "constructive and positive response." On his arrival for further talks with leaders here, Sir Geoffrey called for increased trust between East and West. "With trust and dialogue, there are

worthwhile opportunities ahead of us," he said. While Sir Geoffrey's mission is aimed primarily at building bridges on the political front, he also raised with Romania the question of its trade imbalance with Britain.

In the first 10 months of 1984 British exports to Romania fell back sharply to \$58m, compared with \$70m for the same period in the previous year. Romania's exports to Britain, in contrast, went up from \$49m in the first 10 months of 1983 to \$168m last year, mainly due to the sale of petroleum and petroleum products.

The dispute about Romanian arrears in payments to British Aerospace and Rolls Royce was also discussed. Romania has a contract to buy equipment and engines for 22 Ronbac III aircraft worth about \$240m. The Romanians now owe about \$26m to the two British companies for equipment that has been delivered but only partly paid for. Romanian officials indicated yesterday that the money would be paid soon and the problems resolved during the visit to Bucharest of a British Aerospace delegation later this month. The project is running about three years behind schedule.

Portuguese coalition party elects leader

By Diana Smith in Lisbon

SR RUI MACHETE, Portuguese Minister of Justice, has been chosen as the new president of the Social-Democrat Party (PSD), junior partner in Sr Mario Soares' centre-left coalition.

Mr Machete succeeds Prof Carlos Mota Pinto, who resigned as party leader last week after clashes with PSD factions.

A political moderate and a conciliator, Mr Machete is known to be acceptable to Sr Soares. A Socialist-Social Democrat summit is likely this week to discuss the consequences of the new PSD leadership. A Cabinet reshuffle will be necessary, since Prof Mota Pinto doubled as deputy premier and Defence Minister. Mr Machete has said he prefers to hold only the Cabinet post of deputy premier.

Mr Machete is one of the two most belligerent factions, Sr Joao Salgueiro, sometime finance minister, and Sr Marcelo Rebelo de Sousa, a lawyer and newspaper editor.

EEC energy consumption forecast to rise 2.8%

BY IAN HARGREAVES

ENERGY consumption in the EEC is expected to increase by 2.8 per cent this year, compared with 4.5 per cent last year, and nuclear power will replace coal as the main source of electricity, according to a series of forecasts by the European Commission.

The biggest rate of increase is forecast in nuclear electricity, which is expected to account for 30 per cent of the Community's electric power needs in 1985, compared with 26 per cent in 1984 and 22 per cent in 1983. A further 11 gigawatts (1,000 Mw) of nuclear facilities are due on stream this year.

Overall electricity demand increased by an estimated 5.5 per cent last year, almost all of which was met by the increases in nuclear output. This year, the Commission foresees a 4 per cent increase in electricity demand, in the face of falling real electricity prices.

The outlook for natural gas demand is uncertain, the Commission says, after an 8.5 per cent increase in 1984. This trend is thought unlikely to continue.

Oil demand—which grew by 4.3 per cent in 1984, in part because of the effects of the

ESTIMATED GROSS INLAND FUEL CONSUMPTION			
	1983	1984	1985
Solid fuels	204.6	195.2	203.3
Oil	411.2	428.7	426.5
Natural gas	165.1	179.3	174.3
Nuclear	78.5	97.0	117.4
Hydro	12.5	12.5	12.7
Total	872.7	914.1	940.4

(Figures in million tonnes of oil equivalent)

UK coal strike—could decline in 1985, assuming the UK coal strike ends shortly. But the Commission thinks the underlying trend is far an annual 2 per cent increase in demand. The main assumptions behind the forecasts are those of the Commission's 1985 economic forecasts. These suggest a 2.3 per cent rate of GDP growth in 1985 and 2.5 per cent growth in industrial production. Dollar crude oil prices are assumed to be stable during 1985, and 2.5 per cent lower in real terms.

* Energy in Europe. Director General for Energy, European Commission.

Poland sets IMF target date

POLAND'S top negotiator in debt talks with the west, Mr Zbigniew Katcz, has told a Warsaw newspaper that his country's application to join the International Monetary Fund could be taken by the middle of this year, Christopher Bobinski writes from Warsaw.

The statement, in the weekend edition of *Zycie Warszawy* is the first time the Poles have put a date on when they expect to join. It comes as an IMF team is visiting Warsaw for talks on Poland's application, which until December last year was vetoed by the U.S. as a sanction against the banning of Solidarity in December 1981.

Brock cautions

U.S. Trade Envoy Mr William Brock indicated yesterday that Washington would not use economic sanctions against New Zealand for its ban on nuclear ship visits. Reuter reports from Kuala Lumpur. "There is a great deal of regret in the U.S. administration over New Zealand's action but I would be cautious to suggest that the U.S. would take any retaliatory action," he said.

Ethiopia drought plan
Ethiopian leader Mengistu Haile Mariam yesterday detailed his plan to fight a drought which he said was blighting the lives of 7.5m of his countrymen. Reuter reports from Addis Ababa.

The seven-point plan includes a ban on imports of luxury goods, including private cars, and stricter fuel rationing.

Sudan's floating rate

Commercial banks in Sudan are to introduce a floating exchange rate as part of measures to halt the slide of the country's currency, Reuter reports from Khartoum. The floating rate is intended to attract into the banking sector an estimated \$500m (\$454m) annually in remittances from Sudanese workers abroad.

Third World launch

TWO Third World communications satellites, for the Arab League and Brazil, are in orbit following their successful launch by the French-led European space rocket Ariane from Kourou in French Guiana late on Friday night, writes David Mac in Paris. The Ariane blast-off was the seventh successive successful mission over the past 20 months.

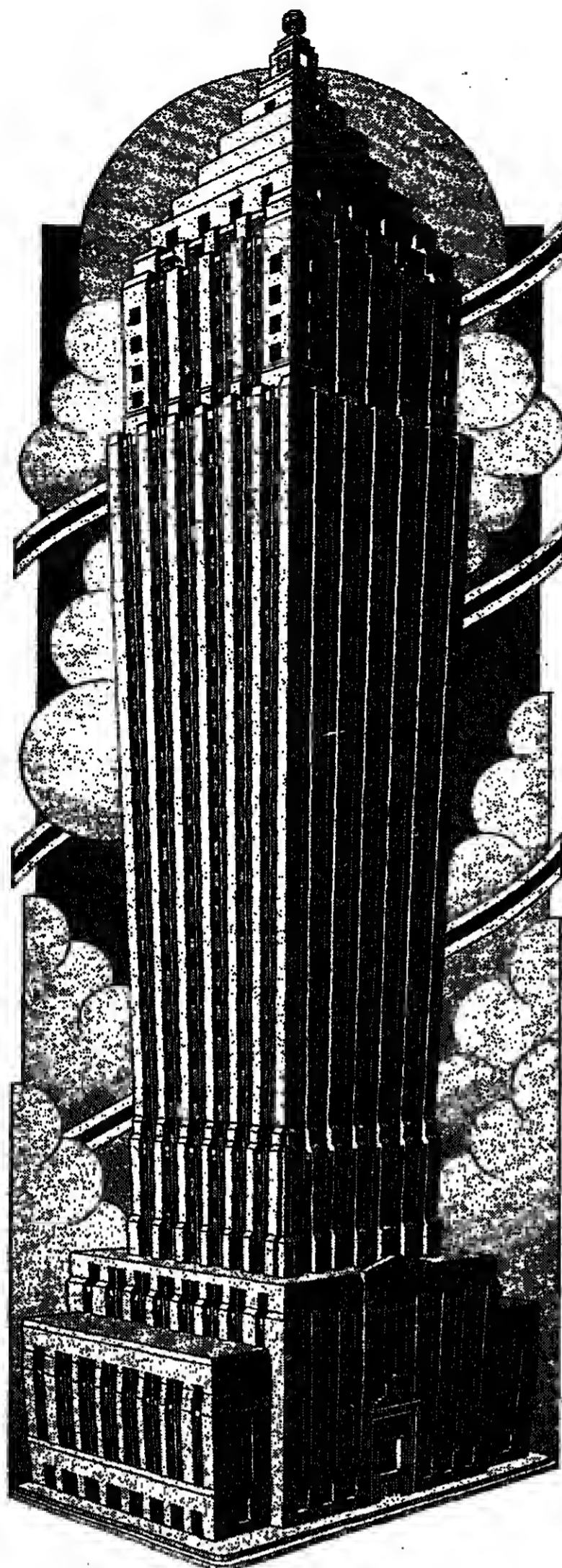
House arrest for Kim

POLICE KEPT a tight security cordon around the Seoul home of opposition leader Kim Dae-jung two days after the return from exile of the U.S. aid, said yesterday, Reuter reports from Seoul.

They said Kim, a Christian, had not been allowed to go to church this morning since police guarding the family compound had orders not to let him leave the house. He has been there since his return.

Showdown for Hawke

Australian opposition leader Mr Andrew Peacock cancelled a European trip to confront Prime Minister Mr Bob Hawke over his handling of the country's defence policies, party officials said yesterday, Reuter reports from Sydney.



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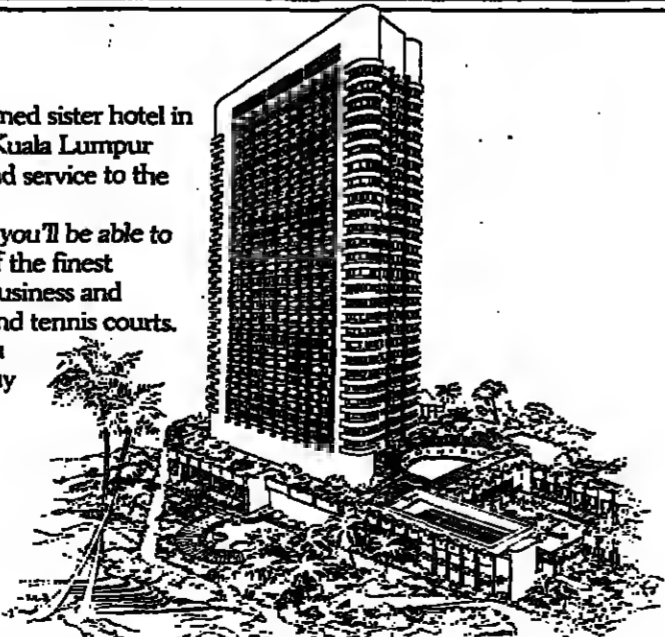
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WORLD TRADE NEWS

John Griffiths examines the strategy of a Japanese car giant in Europe and the U.S.

Why expansion holds few fears for Honda

SETTING UP manufacturing facilities outside Japan holds fewer fears for Honda, the country's third largest car-maker, than for its principal rivals.

The reasons lie in the approach Honda adopted more than two decades ago, during its meteoric rise to become the world's largest motorcycle manufacturer. For many years, it has had motorcycle production or assembly plants scattered around the world.

In Europe, for example, its 70,000-a-year moped manufacturing plant has been operating in Belgium since 1963; another in Italy since 1976. It also has long had plants in the U.S. Its intentions to the UK mark a similar expansionist course for cars.

Honda's success in the car field has already been spectacular. In the past four years, its output has increased from 814,000 to just over 1.2m. In 1975, its total car output was only just over 300,000.

But its extreme dependence on sales outside Japan—accounting for 64 per cent of its

HONDA'S SALES IN EUROPE (1983)		
	Units	Market share (%)
W. Germany	30,746	1.27
UK	15,796	1.84
Netherlands	10,815	2.34
Belgium	8,999	2.45
France	8,227	0.40
Switzerland	7,028	2.54
Austria	4,149	1.41
Finland	4,085	1.39
Norway	3,277	2.29
Sweden	2,986	1.37
Denmark	1,162	1.00
Spain	872	0.16
Portugal	563	0.59
Italy	296	0.02
Ireland	2	0.00
Total	101,975	0.98

Source: Automotive Industry Data

revenue last year—has made it the most sensitive of all Japan's producers to import restrictions and protectionist sentiment.

The desire not to "rock the boat" too much in the U.S. where the domestic industry plunged into crisis in 1980 and restrictions on direct Japanese imports loomed into view,

prompted it into becoming the first of the Japanese car makers to start manufacturing there.

Honda's "Accords" have been rolling out of a plant at Marysville, Ohio, since 1982 and it is in the process of doubling capacity to 300,000 a year in 1985.

The combined investment is nearly \$500m (\$454m). In addition, a 150,000-a-year engine plant there is planned for 1988 and a plant in Canada should start producing 40,000 cars a year from 1987.

Honda's strategy is to become the largest Japanese car producer in the U.S. by 1990—despite the fact that its two main and much larger rivals, Toyota and Nissan, have followed it into the U.S.

It can argue that having made the commitment to compete with U.S. manufacturers on "level terms," in theory wiping out the \$1,000-\$1,500 cost advantage the U.S. industry claims the Japanese makers possess on direct imports, the North Americans can hardly complain if they do not match up now.

Similar circumstances apply to the European market. Like the U.S., which has been restricting direct Japanese imports to 1.5m a year— they have a 22 per cent market share—the main European markets are hedged round with restrictions.

The UK has a "gentlemen's agreement" under which the Japanese have 11 per cent of the market. France imposes a ceiling of 3 per cent.

The Benelux countries got together in 1981 with the aim of restricting the Japanese to 10 per cent. In the event, no formal agreement was reached, but imports are monitored very closely.

Italy, under a unilateral restriction which predates the Treaty of Rome, allows in just 2,000 a year.

West Germany, Honda's largest market, has an informal understanding with the Japanese that they will not exceed 10 per cent.

Where restrictions do not exist, such as Finland, the Japanese market share has risen as high as 40 per cent.

If Honda wants seriously to build up its sales in Europe, which ranks in importance with the U.S. at over 10m units a year, it too must launch into manufacturing; or at the minimum assemble cars with a "local" European content of at least 60 per cent.

To do so would give it unrestricted access to the EEC market. Under EEC rules, a car is defined as being "European" if the location of assembly is within the EEC.

Italy has already fought, and lost, one precedent-setting battle in this area when it sought to exclude from its market the Triumph Acclaim, which BL assembled under licence from Honda.

In addition, however, Honda would have to satisfy the UK Department of Trade and Industry that its cars have significant local content if the plan to build cars at Swindon is to succeed.

Since it plans to install an engine manufacturing plant first, it appears to provide ample evidence that this is Honda's intent.

U.S., Japan set to implement tariff pact

By Louise Kehoe in San Francisco

The U.S. and Japan will implement an agreement effectively to eliminate import tariffs on semiconductor products on March 1.

The agreement is scheduled to be formalised today with an exchange of letters between U.S. Trade Representative, Mr. William Brock and the Japanese Minister of Foreign Affairs Mr. Shintaro Abe, in Tokyo.

The formal agreement comes 15 months after the two countries' trade negotiators reached an accord. The agreement will reduce to zero import duties payable on semiconductor devices from the current level of 4.2 per cent.

Such a move has long been sought by the U.S. semiconductor industry as a step toward removing barriers to free trade between the two largest producing countries.

U.S. industry executives welcomed the tariff elimination as the "first step in moving closer to a level playing field."

The U.S. industry wanted free trade, said Mr. Garry Arnold, executive vice-president of National Semiconductor.

He acknowledged, however, that despite Government and industry efforts to persuade the Japanese to open their markets to U.S. suppliers, Japan remained very difficult to penetrate.

While the elimination of import tariffs is designed to stimulate trade, its impact will be largely symbolic, according to U.S. semiconductor industry representatives.

In Tokyo, Japan also proposed to the U.S. that the agreement mutually to abolish tariffs on semiconductor might be duplicated on other micro-electronic sectors.

UK groups hope for computer orders from Soviet Union

BY JASON CRISP IN LONDON AND LOUISE KEHOE IN SAN FRANCISCO

SEVERAL UK companies have expressed interest in selling personal computers to the Soviet Union, which is believed to be interested in placing a large order for use in schools.

Moscow trade representatives have approached IBM and Apple, the two largest U.S. makers of personal computers following the recent relaxation of U.S. export regulations restricting such sales to the Eastern bloc.

Quest Automation, which has strong links with the Eastern bloc and is a distributor of Applied Computer Technique's Apricot range in the UK, has had discussions about selling it in the Soviet Union, and Acorn, Britain's troubled home computer group, has already won a small order from the Soviet Union.

ICL, Britain's leading mainframe computer company, has had tentative discussions with the Russians about selling its personal computer and possibly building a manufacturing plant there. ICL is thought to have been just one of many Western computer groups approached by the Soviets.

A spokesman for IBM said at the weekend that company officials had been approached by Soviet trade officials through "normal channels."

No orders had yet been received, and a spokesman said that reports of a Soviet plan to order up to 10,000 personal computers might be misleading.

Apple Computer executives are very interested in the potential market in the Soviet Union. Mr. Albert Eisenstat, Apple's vice-president, said: "It is a great opportunity for us, in a marketplace that has gone begging up to now because of the rules that were in place."

Apple, which dominates the U.S. education market for personal com-

puters, had been approached by Soviet representatives, "mainly in Europe," said a spokeswoman.

Until January 1, the export of U.S. personal computers to Eastern bloc countries was forbidden. A steady stream of U.S. computer products is, however, reported to have been smuggled to the Soviet Union. With regulations relaxed by the U.S. Commerce Department, computer manufacturers are cautiously looking forward to large orders.

Although Apple Computers and IBM were the only two U.S. personal computer makers that could confirm Soviet interest in their products, other companies said that they had no way of knowing whether their dealers or representatives had sold computers to the Soviets or were in contact with the country's trade representatives.

U.S. manufacturers are legally responsible for complying with export regulations on their products, but none of the personal computer makers contacted had instructed its dealers or representatives about the recent changes in U.S. export regulations nor warned them against unauthorised exports.

Computerland, the largest U.S. computer retailer, "is willing to offer, and make available, computer products and related services to anyone in the world, in so far as it is able to obtain the approval of the U.S. Departments of State, Commerce and Defense," said Mr. William H. Millard, president. Mr. Millard said, Computerland had not been approached by the Russians, but he acknowledged that the company "has no idea" what may have happened in its 200 franchised stores in 24 countries.

British clothes makers attack cuts in funds

BY ANTHONY MORETON, TEXTILES CORRESPONDENT, IN LONDON

A STRONG attack on government plans to reduce the money available to the British Overseas Trade Board has been made by Mr. Norman Sussman, chairman of the British Clothing Industry Association.

He has told Mr. Norman Tebbit, the UK Secretary for Trade and Industry, that "money allocated to the board is not public spending, it is public investment."

To meet a shortfall in its budget, the board is proposing to charge a fee for certain services. It is also proposing to phase out aid to companies after their second overseas visit.

The board has told companies that it does not make sense to provide a continuing subsidy to export promotion. Although basic information and advice will continue to be provided, companies will be expected to pay for specific services. That will ensure value for money from the reduced budget, the board has suggested.

The Government is seeking to reduce the board's budget as part of its general attempt to lower public spending. Present indications are that the board's current budget of £27.5m

(£31m) will go up fractionally to £27.7m next year and then fall in successive years to £27.1m by 1987-88.

That is, equivalent to a cut of about 15 per cent in real terms, assuming inflation continues at around 5 per cent a year.

Even those figures are less than the board and the clothing industry had been led to expect at the time of 1984 public expenditure policy document.

The forecast for 1985-86 was then expected to be £1m higher than the present amount and that for 1986-87 to be £2.5m higher at £29.6m.

Mr. Sussman has told the Government that the proposed cuts would actually penalise those companies that have been most successful in exporting.

The changes would have a particularly serious effect on the clothing industry because of the influence of fashion changes, which dictated that manufacturers go abroad at least every year, and sometimes twice a year to cater for spring and autumn seasons.

"It appears illogical to reduce expenditure on the board when all industry is constantly being exhorted to export more," he said.

French win Brazil Air Force order

By Andrew Whitley in Rio de Janeiro

THE BRAZILIAN Air Force has awarded a contract worth about \$100m (\$91m) to Aérospatiale, the French state-owned aircraft and aerospace company, for the purchase of 15 Super Puma helicopters, apparently ending the hard-fought battle with Sikorsky of the U.S.

The helicopters are being bought in the face of thinly disguised discontent among Brazilian Air Force officers over the choice and over the timing of the order in the last weeks of the outgoing Figueiredo Government.

Contracts were signed on January 30, but news of the controversial sale has only just been disclosed.

At the end of last week, representatives of Sikorsky complained about the way in which the negotiations—handled directly between the Planning Ministry and a consortium of French banks—had been conducted.

"We only want one thing: The right to compete on equal terms," Sr. Roberto de Souza Dantas, general manager of Powerpack, Sikorsky's local agent, said.

France is known to have offered Brazil a highly attractive parallel credit, estimated at up to \$200m depending on the size of the purchases made, to be put at the disposal of the Air Force and Navy.

Negotiations to sell another package of helicopters to the navy, are also likely to be completed shortly. This would involve ten Super Pumas and 15 smaller Esquillo helicopters.

Ann Charters adds from Sao Paulo: Volkswagen do Brasil has won a \$20m order for 1,000 trucks from China, the first time the Brazilian motor industry has gained a foothold in this potentially large market.

Volkswagen estimates that the Chinese market could absorb up to 15,000 trucks annually over the next two years. Negotiations are also under way for the sale of passenger cars.

This contract, together with others already concluded with Iraq and Nigeria, raises Volkswagen's exports of motor vehicles to a projected \$500m year.

Sofia talks likely to boost trade week

Talks today in Sofia by Sir Geoffrey Howe, the British Foreign Secretary, and President Todor Zhivkov of Bulgaria are likely to give a political boost to the British "trade week" which also opens in the Bulgarian capital today, David Buchanan writes.

Some 30 U.K. companies are taking part in the trade promotion drive, jointly organised by the London and Bulgarian chambers of commerce.

Asean meeting ends

Economic ministers of the six Asean countries ended their annual meeting in Kuala Lumpur, with agreement on several measures to promote trade and co-operation, Wong Sulong reports.

The ministers approved a 25 per cent cut across-the-board tariff cut for 18,000 items under the Asean preferential tariff scheme. The previous tariff cut ranged from 20 to 25 per cent.

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NOTICE TO SHAREHOLDERS

With reference to the notice published on January 15, 1985 in this paper, the Board of Directors confirm and that they maintain the extraordinary general meeting they called for February 14, 1985 at 11 am at the Grand Hotel, The Esplanade, St. Helier, Jersey, Channel Islands.

SHIPPING REPORT Markets stay depressed

BY CARLA RAPOPORT

WORLD shipping markets remained depressed last week, despite a small flurry of activity of grain charters from the U.S. to Alexandria.

Freight rates in the dry cargo market have weakened to the point that many owners are barely able to cover their operating costs. Time charter rates for even the most fuel-efficient ships have tumbled to around \$4,500 a day for round trip voyage from around \$6,500 a day just two months ago.

It is difficult to foresee any immediate event that is going to move this market out of its present slough of despond.

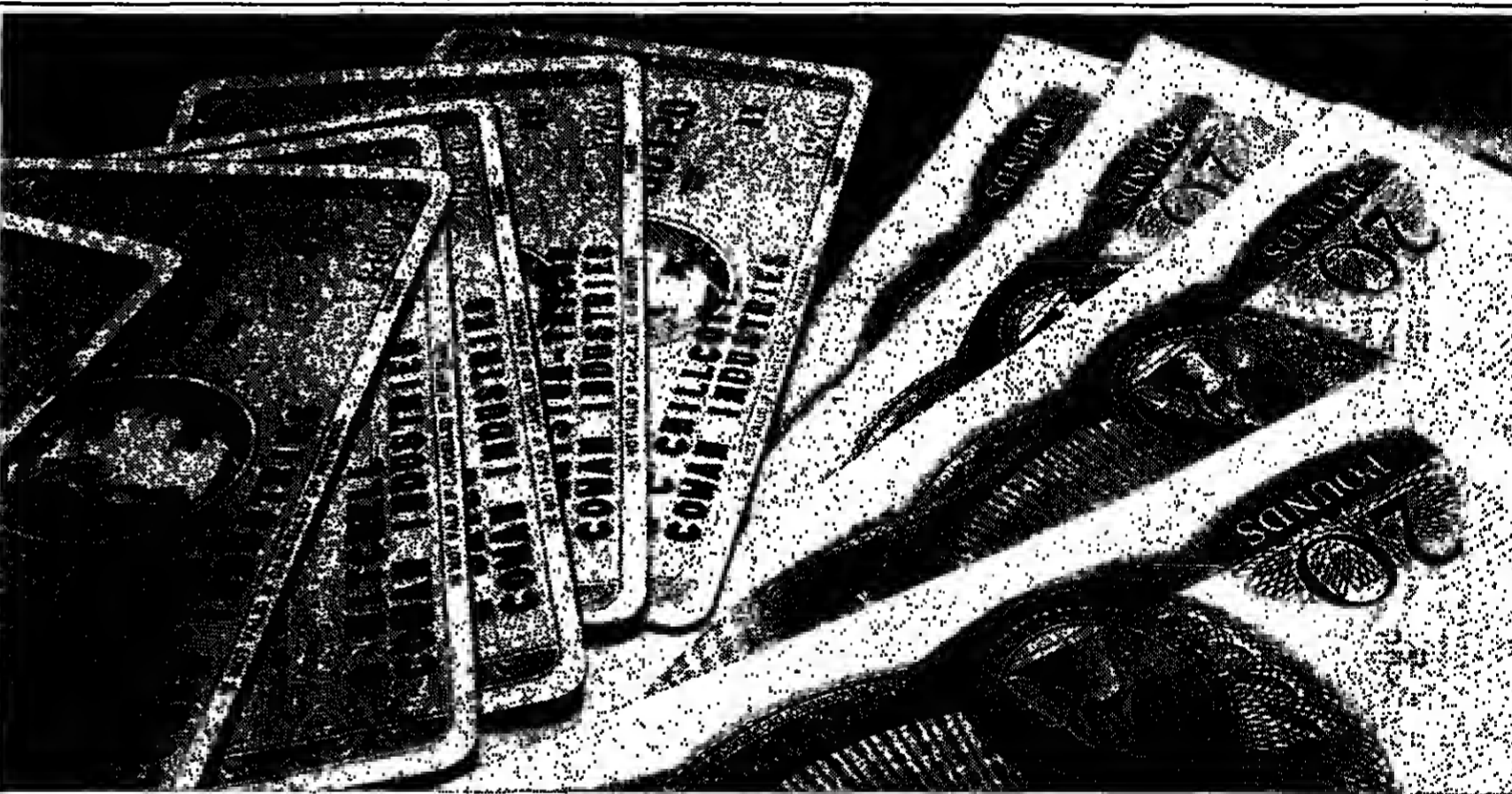
The week closed with freight rates largely unchanged in the large-sized dry cargo vessels, with North Pacific to Japan grain trade at \$8.15 per ton per day, and U.S. Gulf to Europe at just over \$9 per day. The Baltic Freight Index closed at 969, down from 971.5 last week.

Tanker markets showed more life with the National Iranian Tanker Company active behind the scenes in the VLCC sector.

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World Economic Indicators

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	Dec '84	Nov '84	Oct '84	Dec '83	% change over previous year
U.S.*	166.2	165.2	164.5	156.2	+4.4
W. Germany	101.3	103.2	104.3	99.7	+1.4
Japan	121.0	120.4	116.8	107.0	+11.0
UK	103.8	103.2	101.9	103.3	-0.3
France	101.8	102.8	100.3	100.2	+1.4
Italy	94.9	96.5	97.1	93.5	+1.5
Netherlands	102.5	100.6	103.7	96.1	+6.7

* 1987 = 100.

Source (except U.S. and Japan): Eurostat

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UK NEWS

Miners' leader sees possibility of fresh talks about talks

BY OUR INDUSTRIAL STAFF

A SLIM hope exists that the National Union of Mineworkers may be able to make a further attempt to agree an agenda for talks aimed at ending the 11-month pit strike.

Mr Peter Heathfield, the NUM general secretary, said last night that there may be a possibility of a further informal meeting in the near future.

Coal board officials, while not dismissing the possibility, stressed again that the NUM leadership must first agree that talks should focus from the start on the closure of uneconomic pits.

Drafts of the crucial agenda item on uneconomic closures have been circulating between the board and the NUM with the Trades Union Congress playing a mediating role.

The difficulties of re-starting negotiations were underlined by Mr Arthur Scargill, NUM president, who repeated his call for further talks without preconditions, and appeared to rule out discussion of uneconomic closures.

In a television interview, Mr Scargill explained that he would not allow discussion of closures on economic grounds "because there are only two issues involved. The first is the coal board's announcement on March 8 1984 to close capacity and as a consequence close 20 pits with the loss of 20,000 jobs."

"The second is the closure of the five collieries in contravention of an agreement between the NUM and the coal board. These are the issues which really require settlement. Any other issue which people want to raise, quite frankly, is not a matter for the settlement of this dispute."

Mr Scargill stressed, however, that the union was prepared to accept the amended colliery review procedure - including an independent element - agreed between the

board and the pit deputies union, Nados, last October, and said that the board could "raise whatever they want when discussing the future of a pit, within this amended procedure."

The board said last night that Mr Scargill's statement represented nothing new in his position. It has already rejected the joint request from the NUM and Nados for fresh talks, insisting again that the management's right to take decisions about the future of pits must first be recognised.

The NUM executive meets tomorrow to discuss the board's rejection of the joint demand. However, that rejection stresses that the preconditions demanded of the NUM in no way compromise the pit deputies' agreement, and it is unlikely that they will press for industrial action.

Return to work figures this week will play a decisive part in the thinking of both sides. The board yesterday took out advertisements in Sunday newspapers claiming that 83,000 NUM members "have decided the strike is finished" and "will return to work by the end of the week".

Mr Margaret Thatcher, the Prime Minister, and senior colleagues sought to isolate the leadership of the NUM by branding them "extremists" compared with the "moderate" Government, Peter Riddell, Political Editor, writes.

This line emerged during speeches at the annual conference of Young Conservatives at Bournemouth, southern England.

Mr John Selwyn Gummer, Conservative Party chairman, accused Mr Scargill of employing violence and deceit and of bringing deprivation, loss and unemployment to the mining industry.

Industry 'starting to quit big cities'

By Brian Groom, Labour Staff

INDUSTRY is starting to abandon the big cities - the traditional strongholds of trade union activism - and disperse production to smaller towns where labour is more plentiful, according to a new study.

Mr Chris Mulhearn, of the department of town planning at London's Polytechnic of the South Bank, says this poses a threat to the future of the trade union movement beyond that already posed by unemployment. He believes unions are responding inadequately.

New technology means fewer workers and fewer skills, he argues, and so industry need no longer depend on mass labour. He questions why companies should tolerate "the aggravation of strong trade unionism which thrives in the older cities when they can move to forward-looking towns" where workers are "more flexible and co-operative."

"In addition, thriving development agencies offer considerable resettlement assistance. New technology means greater locational choice, and industry appears to have slipped its leash," he says.

Plan to axe state pension scheme

BY ROBIN PAULEY

THE STATE earnings related pension scheme will be abolished if the Cabinet accepts the recommendations of Mr Norman Fowler, Social Services Secretary, as part of his plans radically to reform Britain's social security arrangements.

A special Cabinet committee, chaired by Mrs Margaret Thatcher, the Prime Minister, is now examining the proposals which have resulted from Mr Fowler's four major social security reviews. A plan to publish the Government's views on budget day (March 19) has been dropped.

Instead, a Green Paper (discussion document) will be published after Easter as a prelude to legislation in the next parliamentary session.

Some of Mr Fowler's more radical plans involving the elimination of some small grants and benefits are politically sensitive and may not get through Mrs Thatcher's committee.

Ministers have been anxious for some time about the pension scheme, which was introduced in 1978 as a result of the 1975 Social Security Act. The 1984 discussion document on public expenditure and taxation in the 1980s identified the present state pension schemes as "the major source of future pressures on social security expenditure."

The scheme will reach maturity at the turn of the century, and the main burden of its impact will be felt in the years 2015 to 2030. The scheme will pay, in addition to a basic state pension, an extra pension

related to a worker's best 20 earnings years.

One problem with the scheme is that the number of National Insurance contributors, who fund the scheme, will rise only marginally from 21.8m now to 22m in 2025 while the number of pensioners will jump from 8.3m to 12.6m, taking the ratio of contributors to pensioners from 2.6 to 1.8 in 40 years. Some estimates suggest the scheme could cost an extra £20bn, at present prices, by the year 2030.

Under Mr Fowler's plan, the scheme would be killed off but the position of people who have contributed to the scheme so far would be fully protected.

It would be up to individuals then to enter into an occupational

scheme, make private arrangements or use their money in other ways and accept that they would have only a basic state pension entitlement on retirement.

Mr Fowler would like to recycle savings made through his proposed reforms within the social security system to enable those basic benefits which survive, such as the basic pension, to be raised.

This raises a key problem with the Treasury which is looking for between £2bn and £4bn of net savings to the Exchequer from the changes.

The social security budget at £40bn a year is a third of all public spending and is the only sector left in which the Treasury feels it can reasonably hope for further large-scale cuts.

Falling orders hit building industry

By Joan Gray, Construction Correspondent

A GRIM picture of declining employment and falling orders in the construction industry emerges in the latest workload survey from the Federation of Civil Engineering Contractors (FCEC).

The survey shows that companies' orders have deteriorated in both value and volume since the previous survey in October.

"Clearly disturbing," it says, "is the fact that 11 per cent of companies reported that they have no civil engineering work on their books at all."

The survey says that the prevailing mood among companies of all sizes is one of pessimism, with few anticipating any improvement. Mr Derek Gaultier, FCEC director general said: "Whereas the large firms were more optimistic three months ago, now they too are pessimistic about the outlook for civil engineering."

Although the largest companies - those employing more than 1,000 people - have been most successful in maintaining their order books, this has been achieved by tendering for smaller contracts.

Labour 'must reject far-left tactics'

BY PETER RIDDELL, POLITICAL EDITOR

THE LABOUR Party must reject calls to challenge the Government by extra-parliamentary tactics of defying the law on industrial disruption, Mr Roy Hattersley, the party's deputy leader, warned yesterday in a speech aimed at far-left critics of the present leadership.

His theme was that there now has to be a change of course. Labour "must no longer act like a defeated opposition putting its house

in order. We must become a potential government offering an attractive but hard-headed alternative to both the principles and practice of Thatcherite Conservatism."

Speaking to his Birmingham constituency party after his unanimous re-election as candidate for the next election, Mr Hattersley outlined a strategy aimed at regaining Labour's political initiative which has been lost during the miners' strike and at answering the far-left advocates of immediate action.

He stressed the need for the party to believe that Labour can win the next election. However, he warned that "already there is a dangerous tendency to pretend that parliamentary power is not the only way to frustrate the Conservatives' intentions."

In an obvious reference to the intensive debate among Labour coun-

cillors about resistance to re-capping - government curbs on local council spending - he warned that "refusing to obey the laws which Mrs Thatcher introduces or attempting to budge her into submission by co-ordinated industrial disruption will have only one effect. It will alienate from the Labour Party the essentially democratic people of this country. Such tactics are wrong in principle."

Renault hopes new R5 will halt market decline

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

RENAULT, the French state-owned car group, hopes to halt its steady decline in the British car market with the introduction of the new R5 on Thursday.

The company wants to boost sales of the new R5 to 27,000 in the first year, equivalent to the highest level achieved by the old R5 in the UK.

In 1980, Renault sold 27,000 R5s which helped give the group a best-ever market share in Britain of 3.64 per cent - 88,243 cars in total.

Since then Renault's penetration has contracted sharply, to 3.41 per cent last year, and its volume was down to 59,779 cars. Of that about 15,500 were old R5s. The small car sector in which the R5 competes has grown in the UK

to about 400,000 a year, or 28 per cent of total car sales. Renault hopes to capture 6 to 7 per cent of the sector in the first year in Britain - a more optimistic target than its market share of 5.5 per cent in 1980. Its objective is about 5 per cent of a 2.2m small car market across western Europe.

Competition is intense in the UK, and the R5 has 12 main competitors led by the Ford Fiesta and the Austin Metro.

Renault has priced the new R5 very aggressively, in line with the Metro and below Fiesta list prices. Including all taxes, the new R5 range costs between £2,845 and £3,685 although a more expensive RS07 turbo is due on the UK market in the middle of the year.

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UK NEWS

Cambridge area created '4,100 high-tech jobs'

BY PETER MARSH

BRITAIN'S high-technology boom area around Cambridge has generated 4,100 new jobs in five years in mainly small, science-based companies, according to a report on the region published today.

Ninety per cent of these new jobs were created in enterprises less than 10 years old, says the study, by Segal Quince and Partners, a Cambridge company of planning consultants.

Over the past decade, the Cambridge area has produced new companies in disciplines such as computers, electronics, instruments and biotechnology at an average rate of three every two months.

In recent years, the trend has accelerated - 32 new high-technology companies were formed in 1983, with the figure for 1984 slightly lower.

The study is a detailed investigation of 261 technology-based enterprises in Cambridge and its immediate surroundings. The reports authors believe this represents 85 per cent of all such companies in the area.

Many of the companies have connections either with Cambridge University or were started by people leaving high-technology enterprises already established in the region.

The 261 organisations, of which 80 per cent were formed in the past six years, employ 15,700 people out of a total workforce in the Cambridge area of about 100,000. Total annual turnover of the companies came to £280m in 1984.

The report shows that the 128 companies established since 1979 produced 2,030 new jobs, roughly

one sixth of the total. Enterprises started over the past decade account for just over a quarter of all high-technology jobs.

The report will be seized upon as evidence of the power of new technologies and "spin off" from academic institutions to create jobs. Segal Quince says that the science and technology departments of Cambridge University have played a key role in aiding growth of the new companies.

The report traces the distinctive genealogy of the Cambridge high-technology companies - the best known of which include Sinclair Research, Acorn Computer, Cambridge Consultants and CIS (which sells computers software).

Many of the enterprises formed since the mid-1970s are related through a family-tree structure

Management institute advises against job-sharing schemes

BY JASON CRISP

ONE in five British workers is part-time, which is a higher proportion than almost any other country, according to a survey published today by the British Institute of Management.

In spite of the very high level of part-time working, the BIM strongly advises against job-sharing schemes. It says these are uneconomic for the employer and do not provide a sufficient wage for the employee to live on.

The number of part-time workers in the UK has doubled in the last 20 years to 4.5m, according to the study. Two out of three part-timers are women, and over 30 per cent of the men have retired from full-time work.

The BIM expects the number of part-time workers to grow, and wants the Government to introduce more flexible policies for tax and benefits.

The institute believes that part-time working should be a standard part of company employment policy. It notes: "Advantages to the employer of part-time workers are flexibility and low costs while giving employees an opportunity to supplement household incomes and maintain social contacts which dovetail with family commitments."

Other advantages, according to the report, include the ability to cover peak demands and holidays, minimising disruption caused by split shifts and unsocial hours,

source of recruitment for full-time positions, introducing school leavers to working life and establishing a pool of trained employees for future promotion.

Although the institute favours the flexibility provided by part-time workers, it strongly opposes job-sharing.

"Job-splitting adds to the employer's costs of recruitment, payroll administration and training without any corresponding benefit."

Managing New Patterns of Work, published by the BIM, costs £6.50 inc p&p for non-members and £5 to members. Copies from Management House, Cottingham Road, Corgy, Northants, UK.

Sharp rise in company failures

COMPANY failures rose sharply in January, and a moving average of a year's monthly figures edged up to equal the previous record, according to Trade Indemnity, the credit insurance company.

Failures notified by its policyholders rose 13.4 per cent from January 1984 to 313. The sharpest increase was in textiles and clothing companies, 38 of which failed against 21 a year before.

The building and construction sector, food and agriculture, and retail and wholesale distribution also saw big increases, although Trade Indemnity cautioned that monthly figures can be volatile for individual trades.

More reliable evidence, it said, was provided by a newly-introduced moving average of the previous 12 months' totals, which rose to 330 in January. This equalled the record set in June 1983, after which it dipped to a low of 315 in April 1984. Over the whole of 1984, the monthly average was 337.

Over the latest 12 months, failures among building and construction companies have increased. By region, failures have been rising in East Anglia, the North of England, the South West and the West Midlands.

SERVICE charges paid by office tenants rose on average by 25 per cent more than the prevailing inflation rate between 1979 and 1983, according to a survey carried out by Jones Lang Wootton, the chartered surveyors and estate agents. Biggest cost components were energy, wages and cleaning, and highest cost increases involved repairs and maintenance, security and wages, which all rose by 80 per cent.

SIR Nicholas Henderson, former British ambassador to Paris and Washington, has been appointed chairman of the Channel Tunnel Group. Sir Nicholas, 65, is a director of Tarmac, one of the consortium members, which also includes Balfour Beatty, Costain UK, Taylor Woodrow and George Wimpey. The group proposes a two-way rail link, with cars transported by train.

THE LONDON Stock Exchange is investigating dealings in Acorn Computers before its shares were suspended by the company last week. Shortly after the suspension, Acorn announced it had sacked its financial advisers, Lazards, and that its stockbrokers, Cazenove, had resigned.

LIVINGSTON New Town Development Corporation in Scotland has decided to refuse planning permission for the Union Carbide chemicals company of the U.S. to set up a 55m gas mixing plant, following angry reaction from local residents.

SMALL Systems Engineering, a north London company, has won type approval for a telephone exchange for small offices. The exchange is being made under subcontract by Thorne-Ericson and is one of the first newly-developed UK exchanges to get approval.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Current	February 26-28
International Men's and Boys' Wear Exhibition (021-705 6707) (until February 13)	Wembley Conference Centre
February 12-14	February 26-28
Brighton International Catering Exhibition - CATERBRIGHT (01-222 8341)	PC Trade Show (01-537 3899)
February 17-19	March 5-8
International Trade Show for Home Computers, Software and Leisure Electronics - LET (0823 77000)	International Powder and Bulk Solids Exhibition - (POWTECH) (01-572 2121)
February 19-21	March 5-31
Refrigeration and Air Conditioning (01-888 7788)	Daily Mail Ideal Home Exhibition (01-225 8841)
Wembley Conference Centre	March 6-8
February 25-March 1	Digital Equipment Hardware and Software Exhibition - DEHXO EUROPE (01-582 8256)
International Food and Drink Exhibition (01-486 1951)	Olympia

OVERSEAS TRADE FAIRS

Current	March 2-7
International Motor Show (Paseo) (020 44 09 44) (until February 17)	International Spring Fair (01-486 1951)
February 17-19	March 2-9
International Boat Show (01-486 1951) (until February 17)	Tor, Gift & Stationery Spring Show (01-538 5901)
February 20-24	March 7-17
International Exhibition of Women's Ready-Made Clothing - Pret-a-Porter (01-439 3964) (until February 15)	International Motor Show
February 20-24	March 12-14
International Holiday Fair and Exhibition - FERINNESSE INTERNATIONAL (01-881 2866)	Semicon Europa Electronics Show (01-353 8807)
February 23-27	March 15-23
International Spring Fair (01-734 0453)	International Printing and Packaging Machinery and Materials Exhibition - PRINTING AND PACKAGING INDONESIA (01-486 1951)
March 3-4	March 22-27
International Publications Festival - LITERASIA (01-236 2399)	International Travel Exhibition (021-705 6707)
Hong Kong	Budapest

BUSINESS CONFERENCES

February 13	February 26
Brazilian Chamber of Commerce: New opportunities for industry, trade and natural resources (01-499 0138)	Longman Seminars: Will drafting (01-242 2548)
February 13	February 26
The Henley Centre for Forecasting: Foreign exchange rates - FX Analysis, forecasts and world business prospects (01-353 9961)	London Chamber of Commerce and Industry: Belgium - its sales potential for the EEC and its investment incentives (01-242 4444)
February 14-15	February 28
Risk Research Group: The future of Lloyds (01-236 2175)	James Morrell Associates: Business forecasts - tax reform and unemployment (01-236 8850)
February 15-19	March 1
Open Computer Security: The International Data Security Conference 1985 (0273 072191)	Longman Seminars: The protection racket - business tenancies (01-242 2548)
February 20	March 5
The Henley Centre for Forecasting: Consumer - markets - changing the rules of the game (01-353 9961)	The Industrial Society: Use your share options (01-539 4300)
February 20-21	March 6
FT Conference: The Third Automated Manufacturing Conference (01-621 1385)	Longman Seminars: Oil and gas law - the joint operating agreement (01-242 2548)
February 22	March 11-12
Oyez IBC: Third and fourth generation PABX's - preparing for the next five years (01-236 4080)	Euromoney International Financial Law Conference (01-236 2388)
February 22-24	March 17-19
Institute of Retailing: How to start your own retailing business (Exmouth 266288)	Metal Bulletin's Fourth International Iron Ore Symposium (01-633 0525)
Exeter Arms Hotel, Exeter	March 20-22
	Seaside Conferences: Money and Ships in the City 85 (01-623 71500)



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Financial Times Conferences

The FT Euromarkets in 1985 Conference

The most significant FT Euromarkets conference for many years is to be held in London on April 1 and 2, 1985, under the chairmanship of Mr Parker GIBERT and Mr Stanislas Yassukovich.

Washington's ad hoc agreement with Tokyo and the remarkable growth potential for the yen, the global equity market and change in London with particular reference to the increasing role in the City of some of the most major Euromarkets players, form the background to this year's conference at the InterContinental Hotel.

The speakers are of a level appropriate to the occasion. They are: Mr David Muirford, Assistant Secretary for International Affairs at the U.S. Department of the Treasury; Mr Sven Wallgren, president and chief executive officer of Eselle AB; Dr Benito Raul Losada, president of the Banco Central de Venezuela; Dr Michael von Clemm, chairman of Credit Suisse First Boston; Mr Robert Mnuchin, partner and management committee member responsible for equity trading at Goldman, Sachs; Mr Geoffrey Bell; Mr David Hale, chief economist and first vice-president of Kemper Financial Services; Mr Andrew Large, chief executive and deputy chairman, Swiss Bank Corporation International and Mr John Forsyth, director of international capital markets at Morgan Grenfell. In addition to HE Mr Moriaki Motono, who was Japanese Vice-Minister for Foreign Affairs and a Summit Sherpa before taking on his ambassadorship in Paris, the FT also hopes to have a paper by Vice-Minister Oba, who is trying to fit the conference into his diary.

For further details contact:-

The Financial Times
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TECHNOLOGY

EDITED BY ALAN CANE

EEV INVESTS £5M IN PRODUCTION OF SPECIAL SILICON CHIPS FOR SECURITY CAMERAS

Charge of the light sensors

BY ELAINE WILLIAMS

TINY silicon chips, which convert light into electric pulses, are becoming the focus of attention for electronics manufacturers.

EEV in Chelmsford will be the first British company to mass produce charged coupled devices. It is investing £5m in these components which are a key element in the manufacture of small, low power consumption cameras.

Charged coupled devices (CCDs) have a growing role in industry and the market for these components is now worth several hundred million pounds. CCD cameras are used for security surveillance and as part of robot vision systems. Smaller arrays are built into facsimile machines to convert words and pictures into an electric signal for transmission over the telephone network.

Optical character recognition systems are also based on CCDs. For example, Saab Combitech in Sweden uses small arrays for reading information on the side of pallets as they move along a production line.

In essence, charged coupled devices (CCDs) are simply sensors which convert light into a coded electric signal. Each device is made up of arrays of tiny cells called elements. One of EEV's planned products has more than 250,000 elements in an area no more than a half-inch square.

When light is focused onto the array each cell develops an electric charge proportional to the light intensity. This can be digitally coded to represent the original image and displayed on a computer or video screen.

As in a television system, the image is scanned many times a second to produce a changing picture. In the CCD, which will be made by EEV, there are two arrays, one to capture information during each scan

and a second to act as a temporary store for displaying the scene.

EEV will specialise in the production of solid state cameras for the surveillance, industrial and military fields, though there will be some applications in the medicine, astronomy, nuclear physics and space. This business alone will help increase sales from a projected £1m in 1985 to more than £12m in a five year period.

The move will take EEV, part of the GEC group, into the realm of semiconductor manufacture for the first time, said Mr Mike Mandl, the company's managing director. EEV's roots lie in the production of imaging tubes based on thermionic valves for television cameras.

However, electronic cameras are beginning to oust the vacuum tube because they allow lighter more compact cameras to be built which consume far less energy.

The company has teamed up with Reliance, a security company within the GEC group, to develop systems for the surveillance market. Because CCD cameras are small and light they can be better concealed around a building. Mr Mandl commented that they could be hidden in gargoyles in old offices, for example, without destroying the aesthetics of the building.

In the military field, EEV has developed cameras which combine its image intensifier technology for night vision with the CCD. This allows the image picked up by the night vision cameras to be viewed on a television screen for the first time. Normally, a soldier has to look directly through the viewfinder which can be very tiring for long periods.

CCDs were invented in 1969 at Bell Laboratories though



The team that will manufacture and sell charged coupled devices. From left to right: Mr P. Ruggles, divisional manager; Mr T. Sheppard, marketing director; Dr P. Bailey, CCD technical manager; Mr Vaughan Kitchin, assistant manager and Dr M. Geary, assistant technical manager. Behind them is the production facility due to be completed later this year.

the first production devices are claimed by another U.S. company Fairchild, which is now part of Schlumberger, the international oil services group. Today several companies produce these devices including Thomson CSF in France, Sony and Hitachi in Japan.

Sony and Hitachi, unlike EEV, are interested in the use of CCD cameras to produce small lightweight colour video cameras for the consumer market. EEV has opted for a

more expensive type of CCD which precludes its use for that market.

According to EEV, a charged coupled device is one of the most complex silicon chips to make. There are 83 dedicated processed steps and each wafer needs nine separate masks to build up the intricate patterns of each array. Simpler chips would have typically only three or four mask stages.

For the past four years, EEV has worked closely with GEC's

Hirst Research Centre at Wembley where most of the development work for CCDs has been carried out. EEV engineers were seconded to the centre to build up production experience at the prototype facility there.

Full production of CCD will begin in November at the Chelmsford site with 30 new staff. Mr Mandl said that the first year's production would satisfy the requirements of the group with outside sales beginning within a year.

FOOD PRESERVATION

Neat way to pack meat for transport

BY PETER MARSH

THE New Zealand Government may turn to a novel gas-packing technique to ensure preservation of chunks of lamb that are shipped around the world.

The Government, which is responsible for lamb exports, has held discussions with PA Technology, a British company, about putting the meat in packs surrounded by an atmosphere of carbon dioxide, oxygen and nitrogen.

These gases are the predominant constituents of air, but they would be channelled into the packs in different mixtures from that found in the atmosphere. The composition would be such that the activity of bacteria naturally present in meat is slowed down, thus adding to the time that the lamb can be stored.

Gas-packing is one of several food-preservation techniques under study at the laboratories of PA Technology in Melbourn, near Cambridge. The company, part of the PA management services group, does technical consultancy work for industrial organisations.

In Britain, Marks and Spencer and Ross (which sells frozen fish) have pioneered developments in gas packing for meat and fish. The exact composition of the gas in the packs is normally kept under wraps to preserve commercial secrecy.

According to David Smith, a food technologist at PA Technology, a combination of different preservation techniques is often required to make modern foods acceptable to the average consumer.

The basic idea of preservation is to inhibit the activity of bacteria, either by killing them or reducing their effect (for example by starving the food-stuff of air).

Conventional techniques include canning (in which the

food is sterilised through prolonged cooking, freezing and vacuum-packing. Food companies may also turn to age-old measures such as adding chemicals like sodium nitrate to curb the action of bacteria or subjecting the material to wood-smoke.

Frequently, not one but several methods are used. Take kippers. To preserve these, manufacturers use "liquid smoke"—the condensed products of smoke in a solution that is brushed on to the fish.

The process gives a kipper that is lacking in the brown colour associated with traditional lippers, so the food maker has to add a dye. This, in turn, involves the addition of water which provides a breeding ground for bacteria and speeds up their action. To reduce this effect, the manufacturer has to starve the fish of air, putting the food in a vacuum pack.

A similar strategy applies with bacon. Food engineers inject brine into the material; salt preserves meat, as people have known for centuries. Besides increasing the volume of the bacon joint by 20 per cent, the water has an unwelcome effect in activating bacteria. To combat this, the manufacturer has to introduce other preservation aids such as additional nitrate.

Researchers at PA Technology are also examining how to preserve foods by beaming into them gamma radiation from a cobalt isotope. The technique has been used successfully in Canada for increasing the time chicken carcasses can be stored.

The PA engineers say the technique does not involve a health risk. But public concern over radiation makes it unlikely that the procedure will be acceptable in Britain for some time.



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Components

Circuit testing from Teradyne

TERADYNE, the Boston-based automatic test equipment (ATE) company, has developed a more powerful version of its A360 system for testing large-scale integrated semiconductor chips that have both analogue and digital elements on them.

The new system, the A370, has a basic price of \$9.25m and is aimed at the world's semiconductor companies. It provides up to 50 per cent greater throughput than the A360 (of which some 300 have been installed throughout the world) but at only a 20 per cent increase in cost. Mixed signal chips are becoming more significant in the electronics industry in those sectors where conversion between analogue and digital signals is becoming commonplace. In telecommunications, for example, speech signals in telephone instruments are turned into digit streams for line transmission and the outputs of sensors in motor vehicles are digitised for computer processing.

According to Prime Data, a U.S. market research organisation, world ATE shipments for mixed signal testers will grow in value by 42 per cent to reach \$80m in 1988.

FREQUENCY ANALYSIS

Tuning in to radio signals

BY GEOFFREY CHARLISH

ANALYSIS OF the frequency content of signals over the remarkably wide range of 100 Hz to 325GHz, with a high level of computer assistance and display convenience, is offered in a new spectrum analyser from Hewlett Packard, the HP 70000.

Military and other organisations, needing to analyse radio signals, communications, satellite operators and radio/radar transmitter manufacturers, are likely users. A typical price, for a system covering 50 kHz to 22 GHz, the model 7102A, is \$34,500.

The system is modular so only those parts needed to suit the application and frequency range need be purchased. The equipment can be enhanced at a later date.

An indication of the way in which these instruments have changed over the years is that over 40 per cent of development costs of the HP 70000 have gone into computerised graphics

assistance to the user and into associated data communications.

For example, there is a column of seven "soft" buttons down each side of the display screen with functions that change automatically according to the needs of the job at hand. The softkeys give the operator access to the extensive set of built-in measurement, signal processing and trace manipulation functions. These functions simplify spectrum analysis and also reduce the time needed to make measurements.

The user can also define a personal set of softkey functions by downloading programs from another computer.

A spot cursor can be moved along the spectrum on the screen to allow amplitude and frequency measurements at any point—the numbers change automatically on an alphanumeric display at the side of the screen.

In addition a "windowing" function allows a number of aspects to be viewed simul-

taneously. For example, a full spectrum of frequency against amplitude can be shown in one wide window, while a magnified segment can be shown in another and a histogram of frequency content in a third. The windows also allow data to be shown from other instruments that can be connected, along with the HP 70000, on an IEEE-488 bus, which allows computers and instruments to be interconnected and to "talk" to each other. One of the display modes provides a matrix which shows which elements are active, and all can be controlled from the central HP 70000.

The level of automation is such that HP is able to offer a version with no display that can operate as an ATE (automatic test equipment) in production environments.

Self-diagnostics in the analyser minimise "down time" and following a "flagged" fault, the offending module can be replaced on site. More on 0734 096622.

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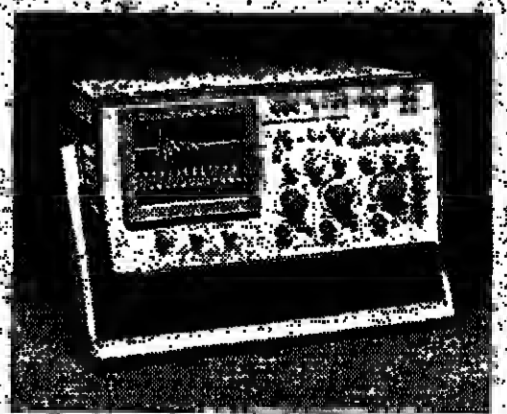


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A three-day user show and conference, 19-21 February at London's Barbican Centre. With a special one-day programme for senior management on 21 February which concentrates on financing the investment and negotiating with system suppliers.

Among those taking part are Austin Rover, BP, Computervision, GEC, IBM, ISSCO and the Imperial Group.

CGU85 is not only for engineers and graphics design specialists. It's for all those managers and directors concerned with efficiency, ease of understanding investment and profit.

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19-21 February 1985
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THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

The Fiatallis marriage—and divorce

Alan Friedman reports on a transatlantic misalliance

THE ANNOUNCEMENT last month that Volvo of Sweden and Clark Equipment of the U.S. are to merge their construction equipment operations means that despite a string of unhappy transatlantic marriages yet another attempt is being made to create an international competitor that can stand up to the two giants in the field, Caterpillar of the U.S. and Komatsu of Japan.

If the record of joint ventures in this sector is anything to go by, Volvo-Clark will need a healthy dose of both corporate chemistry and good luck. The world market for most of the main types of construction equipment, ranging from backhoe loaders to crawler tractors, has fallen by nearly 50 per cent since 1979. This drop is represented by a fall in the number of units sold from 120,000 in 1979 to 68,000 last year.

Meanwhile, last year saw the collapse of IRI Holdings, the West German group which took over General Motors' Terex in 1980. Massey Ferguson of Canada acquired Hanomag of West Germany and eventually sold it to the now-failed IRI. Case of the U.S. in 1977 bought 40 per cent of Pöclain, the French hydraulic excavator manufacturer, but Pöclain is finding the competition from Japan tough and has required a major capital injection.

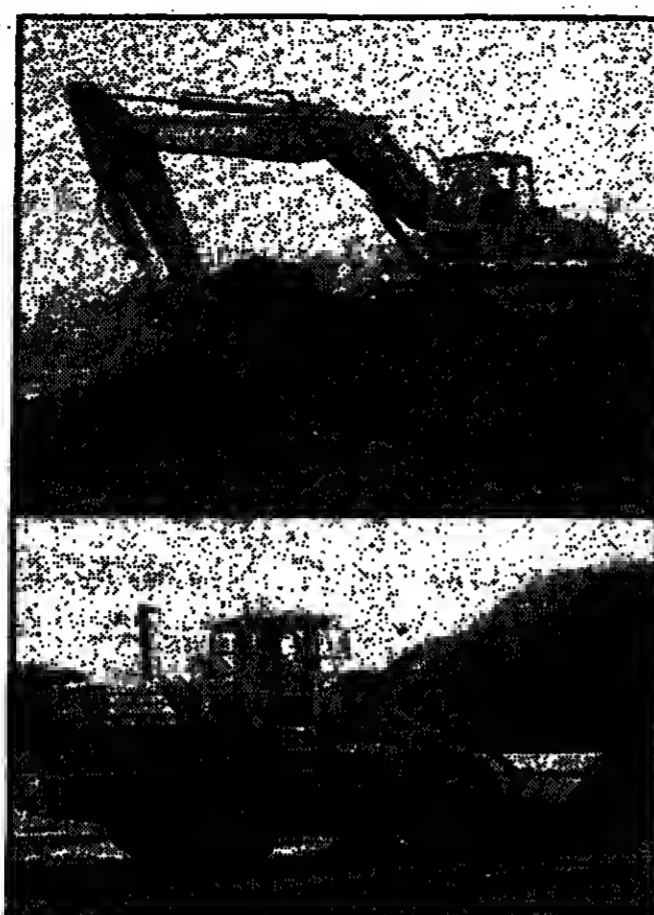
Perhaps no joint venture in the construction equipment sector has been as ill-starred, however, as the 1974 marriage between Fiat of Italy and Allis-Chalmers of the U.S. After \$229.4m losses since 1977, Fiatallis may finally be headed for break-even in 1984. But the company can no longer be considered a transatlantic link-up. It is now, according to Fiat, 80.22 per cent owned by the Turin-based motor giant, a situation which arises out of misunderstandings, failure to work together effectively and finally a bitter legal action

brought by Allis-Chalmers which is shortly to be settled by independent arbitration in Switzerland.

The story of Fiatallis is an unhappy case study of the clash of business cultures, managerial philosophies and objectives. It is true that the incredible crisis which hit the construction equipment sector in the late 1970s and early 1980s was an external factor, but as one of the early Fiatallis chief executives, Jacques Vandamme, points out: "We don't speak the same language."

The principal accusation levelled against Fiat by Allis-Chalmers is that the Italian group used the venture for its own ends. "It was a very risky marriage at first, but then as the venture went on, different philosophies began to emerge. Fiat came to look at the joint venture as an extension of Fiat and it became apparent to us back in 1979 that Fiatallis had lost its joint venture characteristics. Now we want a divorce and we want alimony," explains Richard Fitzsimmons, corporate vice-president of the Milwaukee-based Allis-Chalmers. The Fiat line, expressed by Giovanni Germano, Fiatallis managing director, is a flat denial that Fiat took advantage of the joint venture. Germano says that the decision in 1973 to buy Allis-Chalmers for a 60 per cent stake in its construction equipment business "was a good idea because Fiatallis has become a group with a full product line and world-wide marketing."

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A Fiatallis hydraulic excavator (top) and an FR20 wheeled loader

and Allis-Chalmers can be traced to a fundamental misunderstanding about the aims of the venture. Both sides agree that at the outset there was goodwill, and in the words of Marco Pittaluga, a former Fiatallis managing director, "a desire to do something."

The logic of the venture was clear: Fiat made small dozers up to 200 horsepower and Allis-Chalmers was involved in bigger dozers, wheel loaders and scrapers. Fiat had a weak dealer network in the U.S. and Allis had around 60 dealers. In turn, Fiat was strong in Europe and the Third World. The product lines were complementary and the marketing appeared to make sense.

But while Allis-Chalmers saw the venture as a way of winning down its more direct involvement in the earth-moving sector, Fiat feels its American counterpart never took the venture seriously.

The philosophies of the two partners also differed. When the world crisis hit the sector, soon after Fiatallis was formed, Fiat was prepared to ride it out and invest more capital. Allis-Chalmers, on the other

A profit in Brazil

FIATALLIS'S operation in Brazil is a good example of how the company has made the most of its U.S. connection, both in terms of its product range and its export markets.

It also demonstrates a characteristic of the whole Fiat group: when Fiat decides to hang on in a depressed sector, it is prepared to tolerate heavy losses and to make big investments in order to ensure that its position will be—anything—stronger when the upturn at last arrives.

If the collapse of the world earth-moving machinery market was a disaster after the second oil shock (falling by 60 or 70 per cent), the crash in Brazil was cataclysmic: a market of 8,000 machines a year in 1978-79 became one of only 2,000 by 1982.

It left Fiatallis's plant in Belo Horizonte grossly under-utilised. "We had both to diversify our sales in a geographical sense and to extend the range of machines we make in our factory here," says Paolo Monferino, the company's Italian managing director.

First, production of motor-graders was shifted from Deerfield in the U.S. to Belo Horizonte. Then the graders were put on the market not just in Brazil but in the U.S., where the Brazilian company now has 30 per cent of the market in Northern Italy.

"This was a success that no one expected," says Monferino. "We followed it up by introducing the more sophisticated articulated graders, which reached the U.S. market in 1984. We can hope to win 10 per cent of that market."

The company also introduced a new model of wheel loader and a new dozer—the FD 9. "The fact that this dozer can be obtained only from Brazil further frees us

from dependence on the Brazilian market. We now export about half our total output and three-quarters of the exports go to the U.S.," says Monferino. The rest go to Argentina, Peru and elsewhere in Latin America.

Fiatallis new reckens it has the biggest range of products of any earth-moving equipment maker in Brazil—44 models compared with the seven of its nearest rival, Caterpillar, and the five of Clark. Its share of the Brazilian market was, at 28 per cent in 1983, less than Caterpillar's 38 per cent but the U.S. giant does not export from Brazil.

The cost of keeping going has been high. "We have been in a state of continual restructuring, constantly reducing the size of our operation and trying to squeeze economies out of a production process with high fixed costs," says Monferino.

In response to the 30 per cent devaluation of the Cruzeiro in February 1983, Fiatallis cut dependence on imported components to only 20 per cent by doing more manufacturing in its own plants and by giving Brazilian engineering companies the technology to make components for it.

Local sourcing costs 5 to 15 per cent more than importing but saves the obligatory financing costs on imports. Exports enjoy a subsidy equal to up to 7 to 8 per cent.

Even so, Fiatallis reckons it lost \$65m between 1980 and 1983—a calculation that is somewhat approximate because of the devaluation of the Cruzeiro. "Of this, half went to cover losses and the other half was invested in new products," says Monferino.

Last year it broke into profit, earning \$3.5m, thanks in part to a 49 per cent jump in the demand from Brazil.

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James Buxton

declined. Germano explains: "We didn't buy them out because we had no interest in buying out a minority shareholder. After all, we had control." Fiat instead went ahead with its 1981 capital increase and declared that in its view Allis-Chalmers had only 12.75 per cent of Fiatallis. The U.S. company contested this and said its stake was closer to 18 per cent.

The joint venture turned well and truly sour in 1982 when Fiat's refusal to buy it out or liquidate, began a court action in Illinois to liquidate Fiatallis and appoint a receiver to share out the company's assets.

A Federal judge ruled that the dispute should be sent for arbitration to Switzerland, which is where is now remains.

At the same time, with little interest in the U.S. partner's claims, Fiat went ahead with a very sensible rationalisation programme at Fiatallis.

accounts for a tenth of turnover, were also up, and Fiatallis made a net profit of \$3.5m there. Elsewhere the picture remains bleak: Italian sales last year were down by 20 per cent; France down 14.7 per cent; West Germany down 3.2 per cent; the UK down 14.1 per cent; the Middle East down 55.8 per cent; Africa down 28.3 per cent; the Far East down 59 per cent. Interest charges on the \$239.9m of Fiatallis's debt (which was reduced only after the December 29 1984 capital injection) wiped out the U.S. and Brazilian gains to make for a small loss or break-even in 1984.

Fiat is now concentrating on smaller models in the sector, smaller wheel loaders, excavators and backhoe loaders. The philosophy is to focus on equipment needed more for maintenance than major new projects.

What all of this suggests is that Fiat, with its traditional professionalism, has streamlined and reorganised Fiatallis so as to position it for a leaner world market. Overheads have been reduced by closing plants and

shifting production. Fiatallis has made it through the crisis and is still among the top five construction equipment companies in the world.

From a Fiat point of view this all makes good sense. The only problem is that Fiatallis was designed as a transatlantic link-up, as a joint venture. And demanding the \$302m it says it invested until 1981, and interest on this sum, which, according to the Milwaukee company, makes for a total in excess of \$100m.

Fitzsimmons, who still sits on the Fiatallis board, contests the Fiat claim that Allis-Chalmers' stake is now only 1.78 per cent. It is around 5 per cent, he says. In the view of Allis-Chalmers, the arbitration can be settled quite simply: "We want a divorce. This is the first international joint venture which has run onto the rocks and has had to go to arbitration. We want a divorce and we want alimony," declares Fitzsimmons.

As far as Turin is concerned, however, there can be no alimony. It already has custody of the child and has paid for its school fees.

ALLMÄNNAN SVENSKA ELEKTRISKA AKTIEBOLAGET-A.S.E.A.
USS 30,000,000 8 1/2% Bonds 1986

We hereby give notice that, in accordance with the terms of the above-mentioned loan, Bonds for the principal amount of US\$1,527,000 have been drawn on January 25, 1985 for redemption at par on March 1, 1985.

Principal amount of Bonds purchased by the Company: USS 1,773,000.

The following Bonds have been drawn and may be presented to Kredietbank S.A. Luxembourg-gecie, 43, Boulevard Royal, Luxembourg or to other Paying Agents named on the Bonds:

03110	03328	03332	03336	03340	03344	03521	03430	03463	03449
03114	03332	03336	03340	03344	03348	03433	03406	03439	03425
04203	04137	04141	04145	04149	04153	04164	04117	04170	04173
04321	04432	04436	04440	04444	04448	04535	04507	04541	04508
05121	05121	05121	05121	05121	05121	05168	05168	05168	05168
04948	04930	04957	04983	04947	03901	05050	03808	03082	05088
05186	05169	05190	05308	05380	05325	05335	05335	05335	05383
05186	05169	05190	05308	05380	05325	05335	05335	05335	05383
05481	05403	05490	05522	05505	05531	05535	05535	05535	05582
05517	05517	05517	05517	05517	05517	05517	05517	05517	05517
05712	05710	05744	05744	05744	05756	05750	05765	05770	05791
03787	05818	05829	05809	06103	06306	06509	06101	06395	05787
06416	06403	06403	06403	06403	06403	06403	06403	06403	06403
07434	07548	07590	07647	07648	07850	07842	07963	07963	07956
08023	08023	08023	08023	08023	08023	08023	08023	08023	08023
06423	08425	08450	08797	08797	08799	08865	08883	08884	08807
08890	09216	09221	09242	09284	09261	09643	09631	09654	09656
09043	09043	09043	09043	09043	09043	09043	09043	09043	09043
09733	09740	09754	09755	09757	09761	09767	09777	09783	09784
09747	09836	09794	09795	09808	09810	09812	09815	09818	09866
09964	10013	10020	10025	10027	10029	10035	10034	10044	10045
10055	10055	10055	10055	10055	10055	10055	10055	10055	10055
10711	10740	10762	10771	10775	10774	10775	10780	10791	10797
10923	11013	11019	11023	11025	11028	11027	11028	11029	11036
11023	11023	11023	11023	11023	11023	11023	11023	11023	11023
11100	11128	11128	11129	11218	12129	12135	12184	12156	12156
12356	12356	12356	12356	12356	12356	12356	12356	12356	12356
12304	12311	12511	12684	12732	12753	12751	12732	12734	12753
12745	12748	12745	12752	12752	12746	12765	12784	12784	12800
13267	13267	13267	13267	13267	13267	13267	13267	13267	13267
13040	15049	13197	13199	13200	13201	13205	13209	13236	13237
13267	13267	13267	13267	13267	13267	13267	13267	13267	13267
13757	13758	13763	13767	13768	13782	13785	13810	13818	13819
14384	14540	14576	14382	14585	14586	14591	14629	14686	14688
14384	14540	14576	14382	14585	14586	14591	14629	14686	14688
14855	14857	14895	14907	14913	14914	14916	15033	15112	15185
15049	15049	15049	15049	15049	15049	15049	15049	15049	15049
15324	15358	15378	15380	15382	15404	15405	15407	15430	15558
15560	15561	15809	15895	15701	15715	15710	15722	15725	15788
15748	15748	15748	15748	15748	15748	15748	15748	15748	15748
15830	15854	15843	15851	15855	15861	15862	15874	15875	15880
15854	15854	15854	15854	15854	15854	15854	15854	15854	15854
16080	16087	16090	16091	16094	16113	16115	16120	16132	16146
16140	16147	16149	16162	16170	16220	16226	16232	16245	16245
16337	16337	16337	16337	16337	16337	16337	16337	16337	16337
16447	16485	16468	16483	16497	16496	16532	16536	16601	16602
16468	16468	16468	16468	16468	16468	16468	16468	16468	16468
16785	16786	16788	16798	16802	16810	16819	16815	16844	16849
16870	16872	16876	16881	16885	16886	16886	16896	16901	16948
16870	16872	16876	16881	16885	16886	16886	16896	16901	16948
16995	16997	17003	17006	17014	17016	17017	17010	17022	17026
17058	17058	17058	17058	17058	17058	17058	17058	17058	17058
17090	17100	17101	17111	17115	17122	17128	17211	17228	17232
17258	17257	17258	17257	17322	17325	17359	17359	17369	17371
17468	17468	17468	17468	17468	17468	17468	17468	17468	17468
17468	17468	17468	17468	17468	17468	17468	17468	17468	17468
17561	17561	17561	17561	17561	17561	17561	17561	17561	17561
17688	17587	17588	17592	17595	17608	17609	17610	17614	17627
17688	17587	17588	17592	17595	17608	17609	17610	17614	17627
17747	17753	17757	17766	17776	17782	17784	17784	17811	17840
17855	17858	17866	17879	17893	17900	17905	17914	17929	17986
17967	17967	17967	17967	17967	17967	17967	17967	17967	17967
18038	18048	18050	18051	18081	18063	18066	18075	18078	18082
18086	18086	18086	18086	18086	18086	18086	18086	18086	18086
18140	18144	18151	18161	18170	18174	18176	18180	18194	18203
18151	18151	18151	18151	18151	18151	18151	18151	18151	18151
18307	18314	18325	18329	18330	18341	18342	18346	18359	18392
18395	18411	18412	18413	18433	18433	18436	18439	18442	18444
18459	18459	18459	18459	18459	18459	18459	18459	18459	18459
18558	18561	18556	18562	18570	18572	18594	18597	18600	18604
18606	18606	18606	18606	18606	18606	18606	18606	18606	18606
19233	19228	19265	19268	19303	19305	19309	19484	19500	19504
19265	19265	19265	19265	19265	19265	19265	19265	19265	19265
19567	19573	19588	19582	19587	19641	19643	19665	19668	19692
19902	19903	19910	19912	19914	19947	19948	19964	19918	19822
19965	19965	19965	19965	19965	19965	19965	19965	19965	19965
20142	20147	20155	20163	20185	20186	20187	20168	20174	20192
20197	20197	20197	20197	20197	20197	20197	20197	20197	20197
20324	20329	20335	20346	20347	20380	20381	20392	20394	20408
20397	20397	20397	20397	20397	20397	20397	20397	20397	20397
20578	20581	20528	20529	20542	20550	20548	20505	20507	20506
20796	20682	20710	20712	20713	20720	20721	20729	20780	20800
20796	20682	20710	20712	20713	20720	20721	20729	20780	20800
20922	20941	20943	20945	20946	20962	20975	20922	20983	20997
21002	21002	21002	21002	21002	21002	21002	21002	21002	21002
21047	21048	21052	21054	21060	21067	21070	21071	21072	21080

Monday February 11 1985

THE FRENCH Communist Party leadership completed its retreat to the outer edges of the national political stage during the party congress concluded yesterday. M. Georges Marchais, the man who has never

Rushing to judgment

It should be admitted at this point that Treasury economists are not the only ones who already have concluded that we are the ones who are guilty of giving the wrong reasons, even in supporting their likely policy. The Treasury itself, in its present state, attaches such high importance to the level of interest rates that a decline in sterling accompanied by a rise in the dollar rate is seen as a drag rather than a stimulus to the economy. We believe that weakness in sterling provides, on balance, a stimulus to the economy.

But the Treasury's own attitude, it is all the more puzzling

Running an economy like this is like running a company purely on the basis of cash flow, with no information on profit and loss, no idea of market conditions, and no balance sheet. Mr Lawson, a veteran financial analyst, can well understand this, and past speeches have suggested that he does. We will not be encouraged to see even a sensible Budget based on such nonsense.

1

economic growth in 1965 than in 1964," said Mr. Jack Welch, chairman of General Electric.

If Mr. Welch had been speaking for the whole of corporate America, instead of the manufacturing sector alone, he might have mentioned one other factor which is making an enormous impact on the economy after trying such a tactic.

Given the sudden change in the kind of external pressures being imposed on the economy, performance has been largely determined by the kind of industry a company is in, and the quality of individual corporate management.

Mercantile & General, could also come in handy.

Risk business

Now, for the "sophisticated investor" interested in covert cross-border activities. The "big man" is the largest group of Nicaraguan anti-Sandinista "contra" rebels, the Nicaraguan Democratic Force (FDN), deprived of secret Central Intelligence Agency funds by the approving U.S. Congress last year, plans to issue interest-bearing bonds in the U.S. and other countries to finance its struggle.

Calero, previously the Nicaraguan manager of the local Coca Cola subsidiary, says that a Washington law firm hired by an anonymous benefactor is studying the legal steps to offer the bonds for sale. They would be "relatively short-term" and interest would be paid from contributions from "people in his world" by private donors.

The interest rates are still under consideration, says Bosco Metamoras, the group's Washington-based spokesman.

The FDN, or a corporation

By Our New York Staff

It has become more difficult for companies to push through inflationary price increases

the U.S. Even IBM's trailing "punch" competitors have benefited from soaring capital expenditure, which has been closely coupled on office automation. In contrast to these healthy industries, various arms of the defense establishment have been severely exposed in the blast of

Having turned 90, the British all industry's oldest chief official is thinking of taking it easy. It is John Wainwright, founder, ex-chairman and now secretary of the Federation of General Practitioners of Great Britain, who has been a leading force among people who dig coal from the pits to help the country that is too small to interest the rest of the world.

Westminster city council, not so surprisingly, seems to be putting its money on Mrs Thatcher if a survey by Which? magazine is anything to go by. Which? decided to probe local government's attitudes to the new process by which house buyers find out whether a new road is likely to be routed through their living room, and the results are damning. Westminster's council took 18 days — in contrast computerised Lancaster took only eight, but Brent and Lambeth more than a month. On No 10, Westminster's

1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006, 2007, 2008, 2009, 2010, 2011, 2012, 2013, 2014, 2015, 2016, 2017, 2018, 2019, 2020, 2021, 2022, 2023, 2024, 2025, 2026, 2027, 2028, 2029, 2030, 2031, 2032, 2033, 2034, 2035, 2036, 2037, 2038, 2039, 2040, 2041, 2042, 2043, 2044, 2045, 2046, 2047, 2048, 2049, 2050, 2051, 2052, 2053, 2054, 2055, 2056, 2057, 2058, 2059, 2060, 2061, 2062, 2063, 2064, 2065, 2066, 2067, 2068, 2069, 2070, 2071, 2072, 2073, 2074, 2075, 2076, 2077, 2078, 2079, 2080, 2081, 2082, 2083, 2084, 2085, 2086, 2087, 2088, 2089, 2090, 2091, 2092, 2093, 2094, 2095, 2096, 2097, 2098, 2099, 2100, 2101, 2102, 2103, 2104, 2105, 2106, 2107, 2108, 2109, 2110, 2111, 2112, 2113, 2114, 2115, 2116, 2117, 2118, 2119, 2120, 2121, 2122, 2123, 2124, 2125, 2126, 2127, 2128, 2129, 2130, 2131, 2132, 2133, 2134, 2135, 2136, 2137, 2138, 2139, 2140, 2141, 2142, 2143, 2144, 2145, 2146, 2147, 2148, 2149, 2150, 2151, 2152, 2153, 2154, 2155, 2156, 2157, 2158, 2159, 2160, 2161, 2162, 2163, 2164, 2165, 2166, 2167, 2168, 2169, 2170, 2171, 2172, 2173, 2174, 2175, 2176, 2177, 2178, 2179, 2180, 2181, 2182, 2183, 2184, 2185, 2186, 2187, 2188, 2189, 2190, 2191, 2192, 2193, 2194, 2195, 2196, 2197, 2198, 2199, 2200, 2201, 2202, 2203, 2204, 2205, 2206, 2207, 2208, 2209, 2210, 2211, 2212, 2213, 2214, 2215, 2216, 2217, 2218, 2219, 2220, 2221, 2222, 2223, 2224, 2225, 2226, 2227, 2228, 2229, 2230, 2231, 2232, 2233, 2234, 2235, 2236, 2237, 2238, 2239, 2240, 2241, 2242, 2243, 2244, 2245, 2246, 2247, 2248, 2249, 2250, 2251, 2252, 2253, 2254, 2255, 2256, 2257, 2258, 2259, 2260, 2261, 2262, 2263, 2264, 2265, 2266, 2267, 2268, 2269, 2270, 2271, 2272, 2273, 2274, 2275, 2276, 2277, 2278, 2279, 2280, 2281, 2282, 2283, 2284, 2285, 2286, 2287, 2288, 2289, 2290, 2291, 2292, 2293, 2294, 2295, 2296, 2297, 2298, 2299, 2300, 2301, 2302, 2303, 2304, 2305, 2306, 2307, 2308, 2309, 2310, 2311, 2312, 2313, 2314, 2315, 2316, 2317, 2318, 2319, 2320, 2321, 2322, 2323, 2324, 2325, 2326, 2327, 2328, 2329, 2330, 2331, 2332, 2333, 2334, 2335, 2336, 2337, 2338, 2339, 2340, 2341, 2342, 2343, 2344, 2345, 2346, 2347, 2348, 2349, 2350, 2351, 2352, 2353, 2354, 2355, 2356, 2357, 2358, 2359, 2360, 2361, 2362, 2363, 2364, 2365, 2366, 2367, 2368, 2369, 2370, 2371, 2372, 2373, 2374, 2375, 2376, 2377, 2378, 2379, 2380, 2381, 2382, 2383, 2384, 2385, 2386, 2387, 2388, 2389, 2390, 2391, 2392, 2393, 2394, 2395, 2396, 2397, 2398, 2399, 2400, 2401, 2402, 2403, 2404, 2405, 2406, 2407, 2408, 2409, 2410, 2411, 2412, 2413, 2414, 2415, 2416, 2417, 2418, 2419, 2420, 2421, 2422, 2423, 2424, 2425, 2426, 2427, 2428, 2429, 2430, 2431, 2432, 2433, 2434, 2435, 2436, 2437, 2438, 2439, 2440, 2441, 2442, 2443, 2444, 2445, 2446, 2447, 2448, 2449, 2450, 2451, 2452, 2453, 2454, 2455, 2456, 2457, 2458, 2459, 2460, 2461, 2462, 2463, 2464, 2465, 2466, 2467, 2468, 2469, 2470, 2471, 2472, 2473, 2474, 2475, 2476, 2477, 2478, 2479, 2480, 2481, 2482, 2483, 2484, 2485, 2486, 2487, 2488, 2489, 2490, 2491, 2492, 2493, 2494, 2495, 2496, 2497, 2498, 2499, 2500, 2501, 2502, 2503, 2504, 2505, 2506, 2507, 2508, 2509, 2510, 2511, 2512, 2513, 2514, 2515, 2516, 2517, 2518, 2519, 2520, 2521, 2522, 2523, 2524, 2525, 2526, 2527, 2528, 2529, 2530, 2531, 2532, 2533, 2534, 2535, 2536, 2537, 2538, 2539, 2540, 2541, 2542, 2543, 2544, 2545, 2546, 2547, 2548, 2549, 2550, 2551, 2552, 2553, 2554, 2555, 2556, 2557, 2558, 2559, 2560, 2561, 2562, 2563, 2564, 2565, 2566, 2567, 2568, 2569, 2570, 2571, 2572, 2573, 2574, 2575, 2576, 2577, 2578, 2579, 2580, 2581, 2582, 2583, 2584, 2585, 2586, 2587, 2588, 2589, 2590, 2591, 2592, 2593, 2594, 2595, 2596, 2597, 2598, 2599, 2600, 2601, 2602, 2603, 2604, 2605, 2606, 2607, 2608, 2609, 2610, 2611, 2612, 2613, 2614, 2615, 2616, 2617, 2618, 2619, 2620, 2621, 2622, 2623, 2624, 2625, 2626, 2627, 2628, 2629, 2630, 2631, 2632, 2633, 2634, 2635, 2636, 2637, 2638, 2639, 2640, 2641, 2642, 2643, 2644, 2645, 2646, 2647, 2648, 2649, 2650, 2651, 2652, 2653, 2654, 2655, 2656, 2657, 2658, 2659, 2660, 2661, 2662, 2663, 2664, 2665, 2666, 2667, 2668, 2669, 2670, 2671, 2672, 2673, 2674, 2675, 2676, 2677, 2678, 26

use of the 1982 tax breaks to reduce its payments to the Inland Revenue to nothing over the last three years. Last year its return on equity was around 19 per cent.

Managements which recognised that the Reagan recession demand a

Bank of Alaska	14	National Girobank	14
Bank of Scotland	14	National Westminster	14
Banque Belge Ltd.	14	Northern Bank Ltd.	14
Barclays Bank	14	Norwich Gen. Trust	14
Beneficial Trust Ltd.	15	People's Tr. & Sv. Fund ..	15
Brit. Bank of Mid. East ..	14	Provincial Trust Ltd.	15
Brown Shipley	14	R. Raphael & Sons	14
CL Bank Nederland	14	P. S. Refson	14
Canada Perm't Trust Ltd.	14	Reichsdruck. Gesellschaft ..	14

Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	14½ %	Members of the Accepting Houses Committee	
Exceter Trust Ltd.	14½ %	7-day deposits	11 months
First Nat. Fin. Corp.	15 %	11.75%. Fixed rates 12 months	
First Nat. Secs. Ltd.	14½ %	£2,500-11.75%, £10,000 12 months	
		12.00%.	
■ Robert Fleming & Co. 14 %		7-day deposits on sums of under	
Robert Fraser & Ptns. 14½ %		£10,000 11½%, £10,000 up to £50,000	
Grindlays Bank	11¼ %	12½%, £50,000 and over 12½%.	
■ Guinness Mahon	14 %	Call deposits £1,000 and over 11½ %	
■ Hambros Bank	14 %	21-day deposits over £1,000 12½ %	
Heritable & Gen. Trust 14 %		Mortgage base rate	
■ Hill Samuel	11¼ %	■ Demand deposits 11%.	
		■ See Provincial Trust Ltd.	

the company's manager of the local office in Bogotá, Colombia. The Washington law firm hired by the anonymous benefactor is making the necessary legal steps to offer the bonds for sale. They would be "relatively short-term" and interest would be paid from "contributions from around the world" by private donors.

The interest rates are still under consideration, says Bosco Betamoras, the group's Washington-based spokesman.

The FDN, or a corporation

Figure 1

established by it, would act as guarantor. There is one attraction, however, it seems that American investors could legitimately claim their investment as a tax write-off if the firm does not succeed in its objectives.

Westminster city council, too surprisingly, seems to be putting its money on Thatcher if a survey by *Who's Who* magazine is anything to go by.

Which? decided to probe the authority searches, that cumbersome process by which buyers find out whether a road is likely to be routed through their living room, chose 10 Downing Street as "testpiece." Westminster search took 13 days—in comparison computerised Lancashire took only eight, but Brent Lambert more than a month.

On No 10, Westminster

—

But, unlike most of the authorities surveyed, it did ask to be notified of any change of ownership.

People and pills

Do you prefer a pink pill to blue capsules? This is a kind of controversy building around the government's proposals to save up to £100m a year by limiting the brand name products available on the health service.

Kevin McNamara, the amiable Labour MP who is chairman of the backbench all-party group for the pharmaceutical industry, has pointed out that some patients have "a psychological attachment to the shape and colour of particular medicines" and wondered whether advice is to be given to GPs when their freedom on brand

Wish you were in Blackpool, famous for many things, among them illuminations, the Golden Pigeon, the Lion and a defrocked rector on display in a local cage, is now set to woo big-conscious Britons away from the Mediterranean. Its public department gets our prize if the year's worst pun so far the slogan emblazoned over 1985 brochures. "The Costa Not Lotta."

1. *Chlorophyll a* and *Chlorophyll b* were determined by the method of Arar and Collins (1971) using a Shimadzu 1601 UV-Visible Spectrophotometer. The concentration of chlorophyll was expressed in mg/L.

A.B.N. Irish Bank	14 %	C. Hoare & Co.	114 %
Allenby Irish Bank	14 %	Hong Kong & Shanghai ..	14 %
Henry Anshacher	14 %	Johnson Matthey Bkrs.	14 %
Amro Bank	14 %	Knowsley & Co. Ltd.	144 %
Armco Trust Ltd.	144 %	Lloyds Bank	14 %
Associates Corp. Corp.	14 %	Edward Manson & Co.	15 %
Banco de Bilbao	14 %	Meghraj & Sons Ltd.	14 %
Bank Hapoalim	14 %	Midland Bank	14 %
BCCI	14 %	■ Morgan Grenfell	14 %
Bank of Ireland	14 %	Mouat Credit Corp. Ltd.	14 %
Bank of Cyprus	14 %	National Bk. of Kuwait Ltd.	14 %
Bank of India	14 %	National Girobank	14 %
Bank of Scotland	14 %	National Westminster	14 %
Banque Belge Ltd.	14 %	Northern Bank Ltd.	14 %
Barclays Bank	14 %	Norwich Gen. Trust	14 %
Beneficial Trust Ltd.	15 %	People's Tst. & Sv. Ltd.	15 %
Brit. Bank of Mid. East ..	14 %	Provincial Trust Ltd.	15 %
■ Brown Shipley	14 %	R. Raphael & Sons	14 %
Cl. Bank Nederland	14 %	P. S. Refson	14 %
Canada. Perm'nt Trust 144 %		Roxburghe Guarantee	144 %
Cayser Ltd.	14 %	Royal Bank of Scotland 14 %	
Cedar Holdings	14 %	Royal Trust Co. Canada 14 %	
■ Charterhouse Japet.	14 %	■ J. Henry Schroder Wagg 14 %	
Chelateaux*		Standard Chartered	114 %
Citibank NA	14 %	Trade Dev. Bank	14 %
Citibank Savings	124 %	TCE	14 %
Clydebank Bank	14 %	Trustee Savings Bank 14 %	
C. E. Costes & Co. Ltd. 144 %		United Bank of Kuwait 14 %	
Comm. Bk. N. East	14 %	United Mizrahi Bank	14 %
Consolidated Credits	14 %	Westpac Banking Corp. 14 %	
Co-operative Bank	14 %	Whiteaway Laidlaw	144 %
The Cyprus Popular Bk. 14 %		Williams & Glyn's	14 %
Dunbar & Co. Ltd.	14 %	Wintour Secs. Ltd.	14 %
Duncan Lawrie	14 %	Yorkshire Bank	14 %
E. T. Trust	144 %	■ Members of the Accepting Houses Committee.	
Exeter Trust Ltd.	144 %	7-day deposits 11% 1 month 11.75% 3 month 12 months 12.50% 11.75% 13.00% 12 months 12.00%.	
First Nat. Fin. Corp.	15 %	† 7-day deposits on sums of under £1,000 11%, £1,000 and over 12.50%.	
First Nat. Secs. Ltd.	144 %	12%, £50,000 and over 12.50%.	
■ Robert Fleming & Co. 14 %		† Call deposits £1,000 and over 11%.	
Robert Fraser & Ptns. 144 %		21-day deposits over £1,000 12.5%.	
Grindlays Bank	114 %	■ Mortgage base rate.	
■ Guinness Mahon	14 %	■ Demand deposits 11%.	
■ Hambros Bank	14 %	■ See Provincial Trust Ltd.	
Heritable & Gen. Trust 14 %			
■ Hill Samuel	114 %		

FOREIGN AFFAIRS

Wishful thinking on U.S. defence

By Ian Davidson

LAST WEEK'S State of the Union speech was, by common consent, a vintage Reagan performance, brimming with sentimental glorification of American greatness, and an almost lacrymose panegyric on an even greater and more heart-warming future. All that was lacking was a celestial choir and a Technicolor sunset.

Yet those issues of substance on which he briefly touched — notably the massive increase in the defence budget and the research programme into Star Wars anti-missile defence — left a sense of bafflement over the real degree of contact between emotional yearning and practical policy.

This gap between aspiration and reality is particularly sharp in the case of the budget. In terms of an opening wish list, Mr. Casper Weinberger, the Defence Secretary, has got virtually everything he could have asked for, with a defence budget request which, if adopted, would increase spending by 6 per cent in real terms to \$81.6bn. The trouble is that the request will not be adopted as it stands, nor anything like it. It stands for a celestial choir and a Technicolor sunset.

Now this is certainly one way of satisfying the Reagan Administration's long-established objective of modernising and expanding America's defence capability: ask for much more than you expect to get, and hope that Congress does not wield the axe too fully. Moreover, the long lead-times involved in big-ticket, high-technology weapons systems mean that it is not all that easy, and not necessarily cost-effective, to deflect the defence spending juggernaut once it gets under way.

On the other hand, a Father Christmas wish list is not obviously the best way for the administration to indicate its priorities or, at the end of the day, to secure a force modernisation programme which has

coherent strategic shape. Which is more important, the B1 bomber (which may already be obsolescent, but not as obsolescent as the aged B52s), the advanced Strategic Bomber, the controversial MX land-based missile, which has long encountered congressional resistance because of its potential vulnerability to Soviet attack, or the Trident II missile submarine?

One must presume that in the administration's mind they are not equally important, since it knows that any or all of them could be vulnerable to congressional cutbacks. Yet in practice the administration is leaving it to the cross-currents of the arguments on Capitol Hill to produce a more coherent package.

In domestic political terms it may be tactically shrewd of President Reagan to hand over to Congress the uncomfortable responsibility for deciding whether and how to reduce the overall budget deficit, if it dares. But it is surprising that, in the security field, the administration has done so little to build on the bi-partisan model of the 1983 report by the Commission on Strategic Forces, so as to forge a closer consensus on how much America needs to spend on defence, and what it needs to spend it on.

The second perplexity concerns the President's Star Wars anti-missile defence research programme. There is, of course, no mistaking President Reagan's personal commitment to this programme, which he launched just under two years ago, though some people may judge it provocative of him to ask for a tripling of expenditure, to \$3.7bn, a bare month before the re-opening of arms control talks with the Soviet Union in Geneva. No, the President thinks he is offering to the American people, and how he believes it fits into the agenda on the Geneva negotiating table.

When he launched the idea which led to the Strategic Defence Initiative, in March 1983, President Reagan said the hope that new technologies would render nuclear weapons obsolete — in other words, they would provide a defence against

incoming ballistic missiles so perfect, that the U.S. — and the Soviet Union, for that matter — could abandon their reliance on the mutual mass destruction of retaliatory nuclear weapons for their security.

At the time, this alluring image was widely put down as the undigested product of wishful thinking. The technologies for such a defence might or might not become available, but when he spoke they had scarcely been researched, let alone developed.

Few doubted that research to establish whether such a leak-proof defence was conceivable would take several, probably many, years, and that operational development would take a lot longer: one could applaud President Reagan's moral vision of a world without the bomb, or one could deplore his naïveté in selling a vision without adequate consideration of its practical implications, but either way the moment of decision would be many years ahead. Scientists who believed in, and might hope to benefit from, the research programme might well be lyrical about pop-up lasers, orbiting mirrors and

space-based battle stations; and since the Russians were engaged in a parallel research programme, there were reasonable grounds for arguing that America should not be caught napping. But in operational terms, the political decisions would have to be taken by some future president.

Critics of President Reagan were quick to attack his Star Wars programme: the adoption of the dignified official title Strategic Defence Initiative has entirely failed to supplant the popular, though more evocative, phrase, which has no more than poetic justice for a president who came originally from Hollywood — on three grounds: technological, strategic and analytical.



Mr. Weinberger (left) and Mr. Reagan: loyalty after presidential hype

The technological challenge was insuperable, they said, because of the short flight-time of ballistic missiles, because any space-based system would be immensely vulnerable to attack, and because it would be easier, and cheaper, to multiply and vary offensive systems than to fortify defences. If the technological problems could be overcome, a defensive system would be destabilising and dangerous because a nuclear superpower, which feared that its retaliatory weapons might be disabled by an opposing defensive system, might have an overwhelming incentive for a pre-emptive strike.

Finally, no defensive system

could render offensive weapons obsolete, even if it were perfect; neither nuclear superpower could know that its defences were perfect because they could never be tested in remotely plausible conditions short of nuclear war, and therefore both superpowers would be bound to retain, as an insurance, retaliatory nuclear forces which might, for security, be even larger and more varied than would otherwise be the case. In short, even a perfect defensive system could precipitate a massive defensive/offensive arms race.

As the administration's scientists got down to a systematic examination of what was really possible and how soon, it gradually became clear that, for many of them, at least in private,

hype and the more prudent assessments of the scientists, and of its implications for the arms control negotiations. President Reagan's vision of a bomb-free world is attractive and morally impeccable; it is also entirely cost-free, because he will no longer be in office when the research programme matures to the point of decision-making. Some future president would be faced by the awkward dilemma of whether to test and/or deploy some form of space-based anti-missile system, which is banned under the existing 1972 Anti-Ballistic Missile agreement with the Soviet Union.

While France has expressed misgivings, Britain and Germany have publicly taken a sanguine view of the research programme, since it is not banned under any arms control treaty, and its banning could not in any event be verified; Mrs Thatcher got the next best thing, during her visit to Washington last December, when she secured U.S. endorsement of the proposition that "any testing or deployment of a strategic defence would be a matter for negotiations." Yet last month Mr Weinberger said on U.S. television: "I am ruling out the possibility of giving up a strategic defence either in the research stage or, if it becomes feasible, in the deployable stage."

The point is that President Reagan does not have an open mind on the pros and cons of SDI to which, as one official put it, he ascribes all the force of a "moral imperative"; and his Secretaries of State and Defence are transparently anxious to blur the proposition, central to all previous arms control negotiations, that there is an unbreakable link between defence and offence.

It is perfectly possible to take a sanguine view of the large gap between presidential

Mr Reagan will no longer be in office when Star Wars matures to the point of a decision

could render offensive weapons obsolete, even if it were perfect; neither nuclear superpower could know that its defences were perfect because they could never be tested in remotely plausible conditions short of nuclear war, and therefore both superpowers would be bound to retain, as an insurance, retaliatory nuclear forces which might, for security, be even larger and more varied than would otherwise be the case. In short, even a perfect defensive system could precipitate a massive defensive/offensive arms race.

As the administration's scientists got down to a systematic examination of what was really possible and how soon, it gradually became clear that, for many of them, at least in private,

Higher payroll costs

From the Chairman, Life Offices' Association.

Sir, — The Chancellor of the Exchequer in his last Budget removed the national insurance surcharge on employers of 2 per cent on the grounds of "the impact that this tax has, not only on industrial costs but also — at a time of high unemployment — on jobs."

I now read in the Treasury's paper "The relationship between employment and wages" the suggestion that a fall in real wages (which includes employers' pensions and national insurance contributions) of 1 per cent might produce a rise in the demand for labour of between 1 per cent and 1 per cent.

It would be more than surprising therefore if in his next Budget the Chancellor were, as speculation would have it, to impose a tax on pension funds. Such a tax would increase labour costs substantially. Even a tax at what might be regarded as a low rate of 10 per cent could result in increased costs of up to 1 per cent of payroll. It would therefore have a greater impact on industrial costs and on jobs than did the national insurance surcharge.

E. B. O. Sherlock, Aldermoor House, Queen Street, EC4.

Sales of trucks

From the Managing Director, Leyland Trucks.

Sir, — I was appalled to see that you carried a most misleading advertisement, placed by Bedford, on February 7. This implied a massive downturn in sales of commercial vehicles sold by Leyland, a position completely the reverse of the truth.

As you will be well aware, the only commercial vehicles marketed under the Leyland name are those trucks produced by our company. Our UK sales performance in 1984 was in fact most encouraging. Sales of Leyland trucks over 3.5 tonnes gross increased to over 7,700, further consolidating our already strong position in the sales league, where we were second overall. We led the market in no fewer than five of the 12 months and firmly anticipate improving on this in 1985.

To date we have never indulged in "knocking copy," but on this occasion I must point out that in 1984 Bedford trailed behind Leyland in third place and never once came close to overtaking us.

I am most surprised that such an advertisement should ever

Letters to the Editor

have been carried and we are complaining most strongly to the Advertising Standards Authority.

L. M. Wharton, Lancaster House, Leyland, Preston, Lancs.

World trade in textiles

From the Managing Director, Central Confederation of the Textile Industries in Federal Republic of Germany.

Sir, — Professor Anthony Silbertson's letter (January 29), dealing with the multi-fibre arrangement (MFA) mentioned a number of points that, in my view, merit some clarification. The assertion that a liberalisation of the MFA would eliminate quota rents in developing countries, notwithstanding the fact that they receive only about one-third of the total of these as compared with developed countries who receive nearly two-thirds overlooks the fact that there are no quotas in textile trade between developed countries and that, hence, quota rents do not exist there. The problems arising from an imposition of quotas are usually narrowed down to the very few cases where quota rents come about. As it is, for the great majority of developing countries subject to the MFA, quota rents are unknown. This is due to the fact that, as the recently published GATT study on textiles shows, the full utilisation of quotas by the MFA countries was the exception rather than the rule.

A drastic example in this respect is India, which, according to "Textile Asia" magazine was, in 1983, hardly using 15 per cent of its quota for fabric exports to the EEC and a mere 3.4 per cent for the U.S. "where these results would have only been 'marginally better' had there been normally working Bombay mills."

I am increasingly exasperated by liberalisation myopia that consistently points its fingers to the cumbersome bullet-proof MFA-vest that the EEC countries are allegedly wearing. While repeatedly claiming that this vest is a serious barrier to free trade, it is—equally consistently not-mentioned that one of the main reasons d'être of the MFA is a—rather poor—safeguard against blatantly unfair trading practices in the majority of the so-called low-cost textile exporting countries. The more precise names for these unfair trade "bullets" being:

subsidisation of production and/or exports as well as practically inaccessible markets in these latter countries.

As long as these grossly unequal competition conditions exist in world textile trade and neither the EEC Commission nor my own Government, the GATT (or academics) demand their abolition, something similar to the MFA will be necessary to avoid the devastating effects that even a gradual liberalisation of world textile trade would have on employment and industry in EEC textiles and clothing.

As for the various models presented to sum up the purported damage the MFA has been causing to consumers and the economy as a whole, it should be mentioned that in his own study Professor Silbertson is very much more cautious as to the tenability of their results than his letter seems to suggest. In an economic situation in which structural unemployment will be with us for the foreseeable future without any hope of large-scale alternative employment or rescue with calculations resulting from models compounding questionable assumptions and projections ranging to 1997 are a shaky bridge to offer the EEC textile and clothing industry—currently one of the major employers. (Dr) Konrad Neundorfer, 6 Frankfurt 70, Schaumainkai 57.

Aid for low paid families

From Mr G. Bywater

Sir, — Ruth Lister of the Child Poverty Action Group (February 2) is more in accord than she seems to realise with Samuel Brittan in his recent perceptive contributions in which he discussed ways of improving the tax-and-benefit regime for low-paid families. But the main thrust of her letter argued towards a conclusion that she seemed to swerve away from—that the premium of a married man's allowance over a single person's allowance should be redistributed to those receiving child benefit as a "home responsibility allowance"—an excellent phrase. Indeed, then, why not pay such an additional benefit equally to each allowance book holder, on the basis that home responsibility may be said to be related more to the age of the youngest child than to the number of children in the home?

This direct allowance might be sufficiently substantial to

induce many of those receiving child benefit to refrain from jobs. Any job vacancies arising would then lead to savings in unemployment pay which could further finance the allowance. Such a reform would therefore seem to be a sound social and financial investment. G. A. Bywater, 9, Kinders Road, Greenfield, Bolton.

Freesheet readers

From the Executive Officer, Association of Free Newspapers

Sir, — The degree of prejudice displayed by Ian Hamilton-Fazey in the Lombard column (February 11) would suggest that he is not open to argument on the subject of free newspapers. At least he is honest enough to declare his vested interest in payshirts.

Those who saw his column may be interested to learn that overall 75 per cent of the population read free newspapers; research by professional companies frequently shows readership as high as 80 per cent. Perhaps most telling is the fact that in two campaigns against free newspapers by the National Union of Journalists the number of people perceiving the value of free newspapers amounted to fewer than 0.1 of 1 per cent of households.

Sorry Mr Hamilton-Fazey. The real value of free newspapers is that if we are late or fail to deliver. Ian Lock, Ladybellegrave House, Longsmith Street, Gloucester

The Governor's signals

From Mr W. Low

Sir, — As reported by David Lascelles in his article on the Bank of England (February 8), the Governor still hopes to be able to achieve things by raising his eyebrows, then surely the appendages in question must be of such dimensions that their movements easily can be interpreted. Judging by the photograph, Mr Leigh-Pemberton's eyebrows appear to lack the requisite luxuriance. Accordingly, short-sighted bankers may have difficulty in accurately determining the Governor's intentions; recent events in the City may lend credence to this theory.

To avoid confusion, the Governor may have to resort to artificial aids—obtainable, I believe, from most cosmetic counters. Alternatively, perhaps he could ask Mr Denis Healey to act as a "locum tenens" when an eyebrow-raising exercise is necessary! William F. Low, 35, Moleshill Drive, Oatman, Isle of Man.

Lombard

Don't go by the dollar rates

By Samuel Brittan

IF ANYONE in the financial community deserves to receive not merely a knighthood, but a dukedom, it is the person who can kill the harmful and anti-thought habit of judging the behaviour of sterling by the sterling-dollar exchange rate.

The charts show the movement of sterling against various benchmarks since it started to weaken in September. From the beginning of that month until its January low point it fell by some 15 per cent against the dollar. On the official trade-weighted sterling index, the fall was a good deal less—about 9 per cent. But even the index is misleading because it contains a 25 per cent dollar weighting.

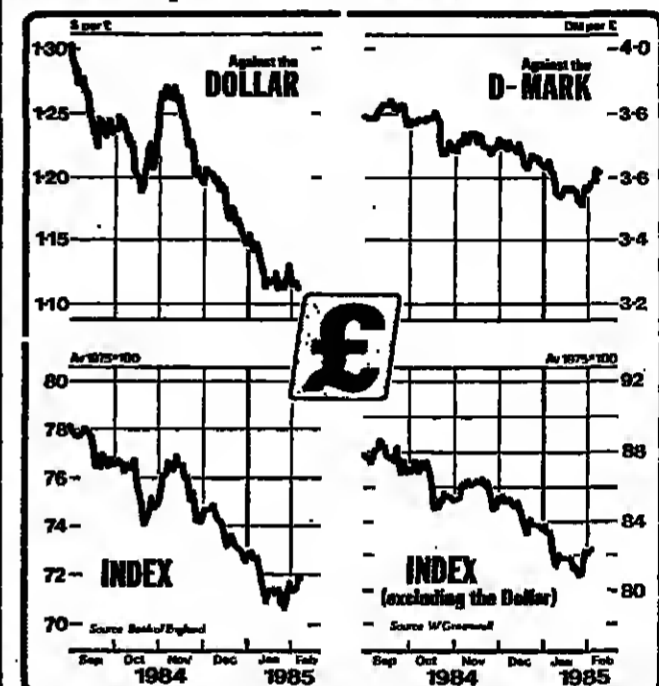
A better indicator of the specific fortunes of sterling is the index of base-rate changes, which the Bank of England ought to publish every day. An alternative benchmark is the D-mark.

By the end of 1984 sterling on any yardstick had fallen enough to offset the more rapid rise in unit costs in Britain than for instance in the U.S., Japan and Germany, and probably already discounted some rundown in oil production.

Yet early in 1985, the pound fell against the D-mark and non-dollar currencies in general, before the two crisis increases in base rates in mid and end-January, and fell again somewhat in New York last Friday night.

The much more dramatic plunge of sterling against the dollar to a point where talk developed of a "one-dollar pound" was important mainly because people thought it was. By giving the impression that sterling was much weaker than it really was, it risked setting off a snowball movement out of sterling which would have weakened it much more against other currencies too.

To attempt to keep the dollar down by high interest rates in other countries is too masochistic by half, and especially so in the case of Britain, whose interest rates have already risen far more than any major Continental country's. The timing of such a move would depend ultimately on the British Government's counter-inflationary objective, and proximately on sterling's movement against the non-dollar currencies.



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Total assets.....\$9,458,450

Loans.....6,017,169

Deposits.....6,060,855

Shareholder's equity.....466,619

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Financial Position (in Thousands)

December 31, 1984

Total assets.....\$17,318,567

Loans.....11,488,103

Deposits.....13,032,828

Shareholder's equity.....978,505

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Terry Byland on Wall Street Aerospace flight path for growth

THE AIRLINE business has become a harder place to live in since the industry was deregulated in 1978, so it is hardly surprising that Wall Street investors in the sector have had an equally bumpy ride.

Stocks in the major domestic carriers have often outperformed the rest of the market since the January boom in industrial equities took off, but that has not prevented occasional setbacks as the market switched its attention from tumbling oil prices - good for airline profits - to vicious price discounting - extremely bad for them the last time it happened.

At the last count about 13 airlines had filed for Chapter 11 since deregulation. The list was lengthened last month when Northwest Airlines filed, and few analysts believe the list is closed yet.

Investors seeking a safer ride have been buying into the industry through the backdoor by following the aerospace sub-contractor stocks. These stocks have lagged behind the market since January 1, partly because of their modest size, partly because most of them also sell to the military aerospace programmes which are thought to be at the top of their spending cycle.

Company	Share earnings \$ (last fiscal)	Sales (\$m)
Hercal	1.03	150
Hi-Shear	(0.63)	51
Rohr	4.50	606
Wyman-Gordon	2.40	389

The best performers have been SPS Technologies, which leads U.S. production of fastening systems for aero-engines and frames with sales of around \$212m for 1984, Hi-Shear Industries, its rival with \$51.6m sales for fiscal 1984, and Wyman-Gordon which made high-strength forged metal components.

The sub-contractors are already benefiting from the upswing in the commercial aerospace cycle which surprised the industry in 1983 and 1984. In the first nine months of last year orders for commercial aircraft totalled 281, against 158 for the whole of 1983, according to Mr James Vail, aerospace analyst at Oppenheimer.

The increase came mostly in orders for narrow-bodied aircraft, for which a new market has been created by the success of Federal Express and its nationwide courier service, now emulated by Airborne Freight, Emery Air Freight and United Parcel Service.

This trend is spreading to the larger aircraft more commonly used for passenger carriers.

The new generation airliners are extensive users of the new composite materials, which can substantially reduce aircraft weight, and of the new components needed to support composite structures.

Rohr Industries holds 50 per cent of the world market for aero-engine products, and has made significant progress in the use of composite materials. Its two big earners are its contracts with Boeing and with Airbus Industries, both of which are likely to maintain high production levels for the next few years.

With all this strength in its markets, annual profits of Rohr remain only just above the \$500,000 level. The stock traded on about 11 times earnings, putting it on a par with the Standard & Poor's 400 index. Rohr, however, is likely to show a substantial increase in earnings this year - perhaps as much as 24 per cent, according to Oppenheimer, compared with forecasts of flat or marginally higher profits for the S & P Industries.

Also apparently overlooked is Wyman-Gordon, trading on 15 times earnings. Defence equipment is still Wyman's prime source of revenue, representing about half of the total of \$390m or so for 1984. Its defence contracts are spread widely through the range, however, covering most of the forgings for the B-1B bomber but also for helicopter rotors. Its defence revenues could still grow by 15 per cent over the next two years, the board believes.

On the commercial side, Wyman, having already benefited from the demand for narrow-bodied aircraft, stands to do well from the expected increase in orders for large passenger-carrying airliners.

One factor which militates against investment in the sub-contractor stocks is the narrowness of the market in many of them. Wyman-Gordon, for example, has 14.4m shares outstanding but only 10,000 of them are traded on an average day.

Major institutions are wary of locking themselves into stocks in which trading markets are narrow. For this reason aerospace sub-contractor stocks were left out of the initial upsurge in the stock market in mid-January.

Now, with the second-line stocks making the running in heavy turnover, while the blue chips tread water for a while, the sector is coming to life.

Wall Street prices, Pages 20-23

Kohl backs research into 'star wars' plan

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT, IN MUNICH

EUROPEAN governments differ sharply in their approach to the U.S. strategic defence initiative, defence efforts of the U.S. Administration to win European support.

West German Chancellor Helmut Kohl moved appreciably closer to endorsing the so-called 'star wars' initiative at the weekend, when he agreed not only that the U.S. programme of research should go ahead but proposed that European countries should be involved in the programme.

Mr Charles Hernu, the French Defence Minister, speaking at the same Wehrkunde defence conference in Munich, however, was notably less enthusiastic. Repeating French calls for a treaty to limit anti-satellite weapons, M. Hernu warned that the research into ballistic missile defence would be likely to lead to the deployment of weapon systems and an enhanced arms race in space.

Chancellor Kohl, mindful of his present quiescent but powerful

domestic opposition on defence, phrased his support for President Reagan's initiative cautiously, enjoining the U.S. to consult its European allies at every stage of the forthcoming arms control talks in Geneva, where the 'star wars' initiative and the questions of medium and long-range nuclear missiles will be discussed.

Chancellor Kohl appeared to accept the key U.S. argument that the 'star wars' project, even if it made possible only an imperfect defence against incoming nuclear missiles, could lead to greater strategic stability between the superpowers.

The U.S. argument, expressed in a speech by Defence Secretary Casper Weinberger, who failed to arrive from snow-bound London, would ultimately enable the superpowers to negotiate significant reductions in offensive nuclear missiles.

For M. Hernu this outcome was likely only if the present competition between the superpowers was

replaced by a 'complicity' where all 'rivalry had drained away'. That, he thought, was most unlikely.

Equal scepticism was expressed by Mr Geoffrey Pattie, Minister of State in charge of Britain's civilian space programme.

Chancellor Kohl said that Germany had not asked for and not been offered participation in the \$28m star wars research programme.

Mr Pattie doubted whether the U.S. would be prepared to open up space research to European industry.

Mr Richard Perle, Assistant Secretary for International Affairs at the Pentagon later said he saw no reason why 'in theory' European co-operation in the programme should not be sought.

U.S. officials, however, later acknowledged that Chancellor Kohl's suggestion of participation found them without a policy on the issue. U.S. defence thinking, Page 14; Arms control talks, Page 2.

Washington warns again over Tokyo telecommunications laws

BY JUREK MARTIN, FAR EAST EDITOR, IN KYOTO

THE U.S. once again warned Japan yesterday that it was concerned that the pending changes in the Japanese telecommunications system might still end up discriminating against American companies.

Mr William Brock, the U.S. Trade Representative, told Mr Keijiro Murata, the Japanese Minister for International Trade and Industry (MITI) that there would be 'negative and unfortunate' reactions in the U.S. if the proposed but still unformulated new telecommunications laws, due to be in force by April 1, fell short of U.S. expectations.

The thrust of Mr Brock's remarks confirmed that the U.S. had decided to exert the maximum pressure on Japan on telecommunications. It is, at present, difficult for the ministry to respond since the new laws due to take effect with the partial privatisation of the state monopoly, Nippon Telegraph and Telephone (NTT) on April 1 are not its responsibility, but that of the Ministry of Posts and Telecommunications. A MITI official conceded last night

that his ministry had yet to be consulted on the NTT legislation.

Perhaps aware of this, Mr Brock had warned that it would be 'useless' to make a telecommunications proposal so close to April that there was far too little time for adequate discussion with the U.S. on its contents. That appears to be a genuine possibility at this stage.

The Brock-Murata exchanges took place in a separate meeting in the margins of another round in the series of quadrilateral trade ministers' conferences. This one included the EEC, in the person of Mr Willy de Clerq, its Commissioner for External Relations, and Canada, represented by Mr James Kellock, the Minister for International Trade.

It does not appear that the U.S. or Japan made much progress in solving any of the several trade disputes now confronting them. For example, according to MITI officials, neither Mr Brock nor Mr Murata were able to convey any decisions on the ending or continuing of the current programme of restraints on

Japanese car exports to the U.S., which is due to expire next month.

For its part, the Japanese side appeared particularly concerned that in the next round of talks on steel, due to be held in Washington within the next week, that the U.S. not adopt too rigid an attitude to the so-called 'sub-committee' issue.

Japan has committed itself to limiting itself to 5.8 per cent of the U.S. steel market but how various steel products are classified remains to be negotiated. If the U.S. proves inflexible, Mr Murata told Mr Brock, 'it may be difficult for Japan to meet the relevant U.S. demands, thus creating problems for U.S. users.'

Japan also proposed to the U.S. that the agreement 'mutually to abolish tariffs on semiconductors' negotiated over a year ago and due to take effect next month - might be duplicated on other microelectronic sectors. Mr Murata argued that electronics was a fast expanding area of bilateral trade and, as such, one in which trade friction should be avoided.

Pfaff hit by Brazilian problems

BY JOHN DAVIES IN FRANKFURT

PFaff, the West German sewing machine maker, has run into problems in Brazil, leading to suspension of the company's stock market quotation and postponement of a rights issue to shareholders.

Pfaff, based in Kaiserslautern, has indicated that the problems, said to be of an exceptional nature, are being investigated but has given no details.

The company's Brazilian subsidiary, Pfaff Industria de Maquinas in Curitiba, has about 300 employees and mainly makes industrial sewing machines, most of which are exported. The subsidiary made a profit in 1983, but its results for last

year have not been disclosed.

The Pfaff group announced a month ago that its household and industrial sewing machines brought in worldwide sales revenue of DM 935m (\$286.5m) last year, an increase of 12 per cent. It said at the time that profits had improved and would allow a dividend at least as high as the previous year's DM 6 per share with a nominal value of DM 50.

Its stock market quotation was suspended on Friday after its shares had closed at DM 175 on Thursday, and the suspension is due to continue today.

Pfaff recently announced a capital

increase to raise DM 25m in cash. The right to subscribe was due to apply from tomorrow, but has been postponed to a date yet to be announced.

The Pfaff sewing machine business was set up more than 120 years ago. In recent years, members of the founding family have held about 38 per cent of the share and the Volksstrome life assurance group about 24 per cent.

Pfaff earns about a third of its sales revenue from household sewing machines and two-thirds from industrial machines. More than two-thirds of its sales are outside West Germany.

Profits surge for U.S. companies

Continued from Page 1

trasts between different sectors of the economy, highlighting both the relative decline of mature industries and the buoyancy of the high-technology and service sectors. Steel, machine tools and heavy machinery industries, for example, remained deeply depressed, while computers, defence and retailing groups all showed healthy increases.

Different sectors also displayed differing abilities to withstand the abnormal strength of the dollar, which rose particularly sharply in the second half of the year. The computer and pharmaceutical industries, for example, were hurt by the increase in the U.S. currency but still managed to perform creditably.

IBM's net earnings were ahead 20 per cent to \$6.58bn and Dow Chemical's by 75 per cent to \$959m.

In contrast, the high dollar struck a crippling blow at the exporting potential of several industries, including forest products and machinery manufacturing. Caterpillar, the world's largest earth-moving equipment company, for example, was forced to cut deeper into its U.S. production capacity as exports collapsed and it slumped to losses of \$428m. In 1983 the company reported a loss of \$343m.

In the domestic market, importers found it much easier to compete, making further inroads into

the steel and textile markets among others.

Wall Street has recently pushed market averages up to record levels, buoyed by the hope of steady profits growth for at least another year, and probably 18 months.

The main worry overhauling the capital markets is that while several big groups have rarely had more cash in hand, many companies have taken on record amounts of short-term debt in expectation of continued growth. This high level of gearing makes the corporate sector vulnerable to any serious upturn in interest rates, which now stand close to 12-month lows across the spectrum, despite the slight uptick in the past two weeks.

World Weather

Place	C	F	Place	C	F	Place	C	F	Place	C	F
Alaska	12	54	London	13	55	Madrid	15	59	San Francisco	15	59
Amsterdam	12	54	Lyons	13	55	Moscow	15	59	Seattle	15	59
Antwerp	12	54	Paris	13	55	New York	15	59	Stockholm	15	59
Berlin	12	54	Prague	13	55	Osaka	15	59	Tokyo	15	59
Bombay	12	54	Rome	13	55	Yokohama	15	59			
Buenos Aires	12	54	St. Petersburg	13	55						
Calcutta	12	54	Warsaw	13	55						
Canton	12	54	Vienna	13	55						
Cebu	12	54	Zurich	13	55						
Colon	12	54									
Hankow	12	54									
Hong Kong	12	54									
Kobe	12	54									
London	12	54									
Lyons	12	54									
Manila	12	54									
Medan	12	54									
Osaka	12	54									
Shanghai	12	54									
Singapore	12	54									
Sourabaya	12	54									
Taipei	12	54									
Tientsin	12	54									
Yokohama	12	54									

Caterpillar complaint

Continued from Page 1

nied that the company's move represented any change in policy. 'We have always advocated a tough stance against unfair trade practices and I hope we always will,' he said. In this case, he said, the company had initially decided not to participate but then did another review and changed its mind.

Exports of Japanese construction equipment have grown rapidly in recent years and Komatsu, the leading Japanese producer and second largest in the world, has significantly reduced the wide gap between itself and Caterpillar. Since

London SE sets new trade rules timetable

By Alexander Nicol in London

OUTSIDE shareholders would be allowed to assume full ownership of stockbroking and stockjobbing member firms on the London Stock Exchange after March 31 1985, according to a tentative timetable set by the exchange's ruling council.

It is understood, however, that the date is part of an 'ideal' schedule of steps leading to the restructuring of trading practices brought about by the planned dismantling of fixed commission scales. It is therefore still viewed as flexible.

Virtually all member firms of significant size have struck deals with banks and other outside shareholders, most of which will take 100 per cent ownership when the exchange's rules permit. At present no outside shareholder may own more than 29.9 per cent of a member firm.

The exchange, under a 1983 agreement with the Government, must introduce negotiated commissions by the end of next year. The council is approaching the timetable leading up to this with caution because a debate over the exchange's constitution remains unresolved and because new technology must be introduced to handle the restructured trading system.

It has been under intense pressure, from member firms who are seeking an acceleration of the process, including a quicker relaxation of the 29.9 per cent ownership limit. Under the preliminary timetable now set - although still subject to adjustment - outsiders could assume full ownership of brokers and stockjobbers before other structural changes, including the permission of 'dual capacity', took place.

Brokers and stockjobbers who merged together into banks - as is the plan in several deals struck by member firms - would therefore still have to keep their operations separate as at present, with jobbers retaining their maintaining capacity and brokers not acting as principals.

Dual capacity - the blurring of the distinction between brokers and stockjobbers - would probably be allowed at the same time as fixed commission scales were barred, nearer the end of 1985.

The council is understood to have favoured the March date because it coincides with the end of the exchange's own financial year and that of many member firms. It wants to give members a chance to reorganise their corporate structures before the new trading system is introduced, but to avoid too long a transitional period in which full ownership of member firms is allowed, but not a merging of their activities.

Honda plan for UK car plant

Continued from Page 1

manufacturers on the basis that the initial programme entails assembly only, by building an engine plant first - even though it might appear uneconomic - Honda should be able to head off in advance any criticisms about local content.

It is known that a feasibility study is under way, inspired originally by Honda's joint venture with BL for Japanese components producers to set up in the UK to make carburettors, clutches and electronic components.

With Japanese manufacturers insisting on having their suppliers a few miles at most from their plants, the prospects for an influx of Japanese concerns into the Swindon area appear considerable.

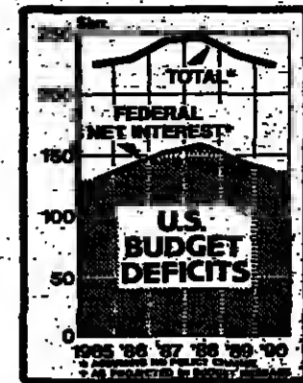
Precedent for this already exists in Honda's operations in the U.S. Four of Honda's major suppliers in Japan have grouped themselves into a joint venture company - KIH Parts Industries - to supply Honda with an assortment of components from a \$30m plant in which they have invested - close to its Maryville plant.

1977, Komatsu's sales have doubled to \$2.9bn while those of Caterpillar have risen only 15 per cent to \$6.8bn. In the past three years Caterpillar has suffered huge losses while Komatsu has remained profitable.

Caterpillar makes about half its sales outside the U.S. and has long been a vigorous defender of free trade. In the past two years, however, its officials have become bitter, complaining about the high value of the dollar, especially in relation to the yen.

THE LEX COLUMN

Signal failure in Washington



Budgetary confusion does not normally breed financial confidence, not even in the U.S. The past week has, nevertheless, balanced an unusually confusing series of policy statements from Washington with yet another leap in the value of the dollar. On a simple view, the international community of lenders and speculators was showing the hint of an easy trading gain to domestic caution about the longer term valuation of the U.S. currency - which might seem in order as the U.S. plunges into its new role of debtor nation. That combination is certainly paradoxical, and if it is no longer unfamiliar, it still looks unstable.

In the short term, the simple view is bound to be correct. Whatever form of budget compromise eventually emerges, the amount of finance needed to ensure the federal books will certainly be forthcoming. Nor is there much risk, this year at any rate, in supposing that foreigners will go on buying Treasury paper with appreciating dollars.

So long as the virtuous circle in the dollar - both parties will presumably remain satisfied with their bargain. The lenders, at least, will be encouraged by some signs that the Federal Reserve has been tightening its monetary regime, helping to keep yields high and sustain the exchange rate. The Administration, however, has been saying a number of things which might easily have been calculated to weaken faith in these easy arrangements, overturning its position on two important issues in the course of the week.

President Ronald Reagan's attack on the independence of the Fed - blamed for the last two recessions and for slower growth at the end of 1984 - was followed by the more conciliatory remark that the central bank had been doing all right by and large making enough monetary room for the real economy to expand. But the net residue was a suspicion that the Fed was being groomed as a scapegoat for the next blizzard in real output.

More worryingly for buyers of Federal debt, the President's attitude to control of the deficit, reasonably stern in the budget message, also appeared to have reversed itself by the time he got around to this weekend's fireside chat. The re-

newed emphasis on growth as the best means of reducing deficits was at odds with earlier proposals for widespread cuts in non-defence spending. In fact, Mr Reagan went out of his way to snub advocates of a slow-down, saying that they had lost the battle last November. Real willingness to cut the deficit was scarcely evident.

In the longer run it would be odd if the fireside message went down well in the bond and currency markets. Even on the official assumption that the Treasury will be able to fund at 5 per cent or so nominal for the rest of the decade, the cost of servicing \$200bn deficits might still strain the supply of potential credit. On a more realistic basis - where lenders demand a few points of real return and inflation is never less than three or four per cent - the deficits are bound to be much larger than the projections assume.

For the present there is every temptation for the Administration to go on as before, exploiting the revealed appetite of the market for dollar debt. It is beyond doubt, however, that the extra funding needs that would become apparent in a recession - virtually bound to occur at some point before the end of the decade - would sharply worsen the terms at which this borrowing could be done. With the fiscal stimulus showing up to an ever increasing extent in the current account deficit, it need not be long before the exchange rate buckles, driving up the coupons demanded by the market.

So far the markets, too, are prepared to regard an expanding deficit in the light of a normal business

risk, and without demanding anything exceptional by way of reward. The record of currency markets as anticipators of capital flows is not good, whatever the practitioners may say about discounting and rational expectation: sterling crashed in 1976 when it was known that oil was about to cause a crunch, while the dollar crisis of 1978 brought about the age of Mr Volcker and sound money. But it would now be strange if the maturity of foreign dollar holdings had not already started to shorten, just as the total inflows of investment dollars have declined in the last two years.

Quoted UK

It is a touch unconventional for a company's annual report to be issued by its stockbroker, but Quoted UK has a particularly timely share register, rivalled only by that of its new subsidiary, British Telecom. In the circumstances it is easy to see why the job of distribution was farmed out to Hoare Govett. It would be no surprise if Hoare also had a hand in drafting the document, ensuring that it contained the type of segmental and historical information required by London financial institutions analysts: a good piece of corporate investor relations.

Although the addition of an auditor's report would help to increase confidence, the company - Hoare Govett's aggregation of the UK quoted company sector - appears to be in pretty reasonable financial shape. Cash generation has become the main feature: funds-flow statements for the past three years show that the group has been consistently investing almost twice the historic depreciation charge in fixed capital, and although the cost of dividends has risen by 38 per cent during the past three years, QUK has still been able to reduce its net indebtedness by nearly \$10m over that period.

Less impressively, the company appears unable to take full advantage of corporate grouping for tax purposes. The stated tax charge for 1984 of 47 per cent suggests that tax losses are not being efficiently used. Perhaps the board - headed by Sir Owen Green, no doubt, or perhaps Lord Hanson - should be on the lookout for a suitably loss-making acquisition.

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U.S. banks revise attitude to East European credits

A NEW FASHION for East European business seemed to be developing in the Eurocredit market last week, writes Peter Montagnon in London.

Not only was there an enthusiastic initial response to the new \$150m deal for Deutsche Außenhandelsbank, East Germany's foreign trade bank, but on Friday came news of an Ecu 50m credit for the Soviet Union bearing a margin of just 4 per cent for the first three years rising to 4 1/2 per cent for the remaining four.

This marks a sharp fall in margins for the Soviet Union, whose foreign trade bank was until recently borrowing at around 1/2 per cent over Eurocurrency rates. East German margins have also dropped. Aussenhandelsbank's new deal bears interest at 1/4 per cent over Eurodollars or 1/4 per cent over U.S. prime compared with a 1 per cent Eurodollar margin previously. But the main feature of last week's new deal was the conspicuous presence of major U.S. banks - Bank of America, Citicorp and Manufacturers Hanover - in the lead group.

U.S. banks, most of which have shunned East European business since the Soviet invasion of Afghanistan and the Polish debt crisis, are now clearly changing their minds. The reason is not hard to find. Deals such as that for Deutsche Außenhandelsbank are straightforward, high-yielding syndicated loans that are increasingly hard to find elsewhere. "It is," said one banker last week, "almost enough to make the old hands weep with nostalgia."

But others argue that it would be wrong to expect Eastern Europe to pick up much of the slack left by the decline in traditional business elsewhere. Though East Germany may continue to borrow, partly to refinance existing debt, and the Soviet Union needs loans to finance grain imports, other Comecon countries such as Czechoslovakia have now adopted a very conservative

approach to foreign borrowing. Poland and Romania are still very much in the shadow of their own reschedulings.

The supply of new business from Eastern Europe is therefore likely to remain rather sparse. That could lead to a situation where competition for business drives margins down too fast for comfort. Some bankers argued that this was already the case with the new Soviet loan, which is led by Crédit Commercial de France.

Other developments in the market combined to suggest last week that business may be picking up, albeit slowly. Not only are Greece and Korea (through its Exchange Bank) likely to seek loans soon; Portugal has now launched a \$500m credit deal, half of which is to take the form of a Euronote and short-term advances facility.

Terms on the deal include a margin of 1/4 per cent for the conventional credit portion and a facility fee of 1/4 on the Euronote standby which will bear interest at 1/4 per cent if drawn. They are regarded in the market as finely balanced, but the yield of about 1/4 per cent on existing Portuguese Euronotes and the heavy oversubscription of the recent \$100m deal for Electricidade de Portugal suggest demand is there.

The same cannot be said of Turkey whose \$500m facility was still stuck at \$450m last week. Some of these commitments are conditional on the full amount being reached, and there are worries that banks in the deal may start getting restive if the lead group is not completed soon.

Merrill Lynch, meanwhile, launched a \$150m, five-year Euro-note facility for the Transco energy concern for which the maximum yield on the notes has been set at 15 basis points. The Council of Europe is raising an unusual BFR 1.25bn, nine year 11 1/2 per cent credit through Caisse d'Épargne and Banque Générale de Luxembourg as well as Enskilde Securities.

Bond demand dries up as dollar keeps climbing

THE EUROBOOND market has lost its nerve. "The bull market psychology is broken," said one trader on Friday. Last week saw the dollar rise yet higher against the major currencies, deterring investors both from buying dollar bonds, in case the dollar falls, and non-dollar bonds, in case it does not fall, write Maggie Urry and Peter Montagnon in London.

In any case investors and dealers have so much paper already that they will not take any more. Traders report that buying from the Swiss and the Japanese has dried up.

Meanwhile the New York bond market is in trouble too. Last week's auctions have left the banks stuffed with paper. The Federal Reserve was seen to be tightening a

touch, and fed funds rates rose. The budget deficit looms over all.

Practically all of last week's fixed rate Eurodollar bond issues were well underwritten by Friday, save for Salomon's Society for Savings. Many of the big issuing houses - such as Credit Suisse First Boston, Morgan Guaranty and Morgan Stanley - were keeping well clear of the market.

Against that background, syndicate managers were highly critical on Friday of a deal brought by UBS (Securities) for Rockwell.

This is UBS's third deal in two weeks, an unusually large number for this house, and rival syndicate managers suspect that UBS is buying market share, at the cost of supporting mispriced issues. Although the first two - for Mobil and Kodak

- were syndicated, both issues are weighing heavily on co-managers' books.

At last the co-managers have turned, and on Friday the major houses were virtually all turning down the \$300m Rockwell deal.

At the time of pricing the cost of funds to Rockwell was a staggering 37 basis points below U.S. Treasury yields - a spread larger than that on the IBM issue the week before, which had to be cut in size.

The floating-rate note market is not immune from the troubles. Higher interest rates are hitting prices, but at least there are fewer new issues to contend with, and last week's were all trading inside their fees even on Friday.

This week sees the launch of three floaters from Thailand, total-

ing \$400m.

Alarm also gripped European and Japanese markets as the dollar scaled new peaks. Here the problem is not just that investors risk currency losses if the dollar falls to hold on to these new giddy heights. Short-term interest rates are being sucked higher by its rise, and that is undermining domestic bond markets too.

Mr Satoshi Sumita, new governor of the Bank of Japan, was twice forced to deny last week that rates would be ratcheted upwards. But that only fuelled speculation that the Bank of Japan was poised to move. Domestic bonds tumbled by more than two points on the week and European issues fell in the wake - though not by quite as much.

Friday's new Samurai issue for

the Inter-American Development Bank shows just how far the market has deteriorated. It yields 7.103 on the Japanese basis and this compares with 6.7 per cent on the (slightly shorter) Victoria Public Authority issue launched a week before.

That is the order of the day in Germany too, where today's scheduled DM 200m issue for Spain has been temporarily withdrawn.

Secondary market prices in Germany fell by up to three points last week with the recent warrants issue for Koba Steel plunging a new low of 92 1/4. Milder falls were registered in Switzerland, but UBS still had to increase the indicated coupon on its IC Industries issue to 5 1/2 per cent from 5 per cent.

EUROMARKET TURNOVER

Turnover (\$bn)			
Primary Market	Secondary Market	FRN	Other
U.S.\$ 3740.7	2.0	142.4	498.9
Prev 2222.8	000.0	1152.5	25.1
Other 486.0	000.0	148.5	52.9
Prev 1015.8	000.0	000.3	138.5
Secondary Market			
U.S.\$ 22373.7	1635.2	10304.9	2372.0
Prev 18289.9	675.2	11914.0	2424.4
Other 1808.8	95.6	363.0	1126.4
Prev 2311.5	44.7	258.2	1190.7
Codel Euroclear Total			
U.S.\$ 12265.0	23805.7	41070.7	
Prev 11354.6	23402.3	34756.9	
Other 2200.9	1880.4	4061.3	
Prev 3124.0	1844.7	4968.7	
Week to Feb 7 '85			
Source: AIBO			

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount \$	Maturity	Au. life years	Coupon %	Price	Lead Manager	Offer yield %	Borrowers	Amount \$	Maturity	Au. life years	Coupon %	Price	Lead Manager	Offer yield %
U.S. DOLLARS								SWISS FRANCES							
Mitsui Petrochemical 1/2	25	1990	0	8 1/4	100	Nomura Int.	8.580	Bas. Petrol. Dev. Corp. 1/2	60	1995	-	6	100	Rye Gatzweiler, K. B.	6.000
Yamato Transport 1/2	40	2000	15	3	100	Nikko Sec. (Europe)	3.980	Asian Dev. Bank (c) 1/2	50	2000	-	6	100	SBC	-
Kumagai Gumi 1/2	80	2000	15	3 1/4	100	Daiwa Europe	3.500	Nikon Camera 1/2	20	1990	-	5 1/4	100	UBS	5.625
Shin-Etsu Chem. 1/2	30	2000	15	(3)	100	Yamashita Int.	-	Mitsui Mining Co. 1/2	50	1990	-	3 1/4	100	UBS	3.625
Fuji Elec. Dev. Bank 1/2	50	1988	4	10 1/4	99 1/2	Wood County	10.415	Chugoku Elec. Pwr.	100	1993	-	Postponed	-	Credit Suisse	-
Osaka Lead 1/2	80	1992	7	11	100.5	Daiwa Europe	10.873	Saitama Paper Ind. 1/2	100	1990	-	5 1/4	99 1/2	Credit Suisse	6.568
Society for Savings 1/2	75	1990	5	11 1/4	100	Salomon Bros.	11.370	Mitsui Petrochemical 1/2	50	1990	-	1 1/4	100	UBS	1.875
Bayport Bank 1/2	75	1990	5	11 1/2	100 1/4	Salomon Bros.	11.432	Saitama Paper Ind. 1/2	100	1993	-	(5 1/4)	-	Bank Hofmann	-
John Deere	150	1995	10	11 1/4	99 1/4	Merrill Lynch	11.891	Toyoko Co. 1/2	75	1990	-	3 1/4	100	SBC	3.375
Bankhaus Trust (NY) 1/2	100	1990	0	11 1/4	99 1/2	Bankhaus Trust Int.	11.159	Hawthorn 1/2	40	1990	-	1 1/4	100	SBC	1.875
Farmacia Sandoz 1/2	400	1985	15	(a)	100	Merrill Lynch	-	Sperry Corp. (d) 1/2	100	1995	-	5 1/4	100	UBS	6.750
Royal Bk of Canada 1/2	100	1988	5	11 1/4	100	Orion Royal Bank	11.125	Shimizu Construction 1/2	100	1990	-	(5 1/4)	-	UBS	-
Mitsui 1/2	20	1990	5	(8 1/4)	100	Nikko Sec. (Europe)	-	IC Industries 1/2	150	1995	-	6 1/4	100 1/4	UBS	5.841
Toyo Text (Asia) 1/2	100	1992	7	11 1/4	100	Salomon Bros.	11.625	Kellogg Elec. Railway 1/2	50	1990	-	5 1/4	100 1/4	Banka del Gottardo	6.586
Gold Inc. 1/2	75	1995	10	11 1/4	100	Kidder Peabody	11.750	Wang Laboratories 1/2	200	2000	-	4 1/4	100	UBS	4.750
Bankhaus Trust (NY) (b) 1/2	300	2000	15	1 1/4	100	Bankhaus Trust Int.	-	Agri 1/2	32	1987	-	5 1/4	100	Credit Suisse	5.125
Nippon Glass 1/2	50	1992	7	11	100.5	Daiwa Europe	10.873	Along Nylon Ind. 1/2	40	1990	-	(2)	100	SBC	-
Taiyo Yuden 1/2	50	2000	15	(3 1/4)	100	Daiwa Europe	-	Horiba Ltd. 1/2	40	1990	-	(2)	100	Credit Suisse	-
Pittsburgh Mat. Bank (b) 1/2	100	1997	12	1 1/4	100	Salomon Bros.	-	Silver Seiko 1/2	50	1990	-	(3 1/2)	100	Credit Suisse	-
Optec Ind. Intl. Bank 1/2	30	1990	5	(8 1/4)	100	Yamashita Int. (Europe)	-	Shin-Etsu 1/2	80	1990	-	(2)	100	UBS	-
Ford Motor 1/2	100	1995	10	11 1/4	99 1/4	Goldman Sachs	11.891	Southern Oriental 1/2	150 mls.	1995	-	(5 1/2)	-	Société	-
Rockwell 1/2	300	1992	7	15 1/4	99 1/4	UBS (Sacs)	10.928	Tokyo Co. 1/2	50	1995	-	1 1/4	100	Credit Suisse	1.875
								Enel Co. 1/2	100	1990	-	(2)	100	Credit Suisse	-
AUSTRALIAN DOLLAR															
Bank of Tokyo Ltd 1/2	50	1992	7	12 1/4	101 1/2	Bank of Tokyo Ltd.	12.293								
NEW ZEALAND DOLLARS															
N. Z. Breweries 1/2	25	1991	5	15 1/4	99 1/4	Rye Gatzweiler, K. B.	15.817	ECB							
N. Z. Breweries 1/2	25	1992	7	15 1/4	99 1/4	Rye Gatzweiler, K. B.	15.937	Chrysler Fin. 1/2	60	1991	6	18	100	Barings Paribas	18.000
B-MARKS															
ERS 1/2	300	1993	3	7 1/4	100	Deutsche Bank	7.580	YEN							
Provinces of Quebec 1/2	200	1995	10	7 1/4	100 1/4	Commerzbank	7.586	JAUB 1/2	350m	2000	12.3	7	99 1/4	Daiwa Secs.	7.083

* Not yet priced. † Final terms. ** Private placement. ‡ Convertible. † Floating-rate note. † With equity warrants. (a) Higher of 6-m Libor or 1-m Libor, rolled monthly, payable 6-monthly; (b) Vis over 3-m Libor. (c) 1/4 over 6-m Libor. (d) Dual currency. Notes: Yields are calculated on AIBO basis.

De Nationale Investeringensbank N.V.

U.S. \$50,000,000
12 per cent. "A" Notes due 1990
and 50,000 Warrants to purchase
U.S. \$50,000,000
12 per cent. "B" Notes due 1990

Algemene Bank Nederland N.V. **Swiss Bank Corporation International Limited**
BankAmerica Capital Markets Group

Amro International Limited **Bank Brussels Lambert N.V.**
Banque Nationale de Paris **Banque Paribas Capital Markets**
Baring Brothers & Co., Limited **Credit Suisse First Boston Limited**
Daiwa Europe Limited **Dresdner Bank Aktiengesellschaft**
Goldman Sachs International Corp. **IBJ International Limited**
Kredietbank International Group **Morgan Guaranty Ltd**
Morgan Stanley International **Nomura International Limited**
Orion Royal Bank Limited **Salomon Brothers International Limited**
J. Henry Schroder Wagg & Co. Limited **Société Générale de Banque S.A.**
Union Bank of Switzerland (Securities) Limited **S. G. Warburg & Co. Ltd.**
Westdeutsche Landesbank Girozentrale

U.S. \$100,000,000 The Coca-Cola Company

11 1/2 % Notes due November 28, 1988
with
Warrants to Purchase
U.S. \$100,000,000 11 1/2 % Notes due November 28, 1991

MORGAN GUARANTY LTD **CREDIT SUISSE FIRST BOSTON LIMITED**

AMRO INTERNATIONAL LIMITED **BARING BROTHERS & CO., LIMITED**

COMMERZBANK AKTIENGESELLSCHAFT **CRÉDIT COMMERCIAL DE FRANCE**

DRESDNER BANK AKTIENGESELLSCHAFT **GOLDMAN SACHS INTERNATIONAL CORP.**

MERRILL LYNCH CAPITAL MARKETS **MORGAN STANLEY INTERNATIONAL**

NOMURA INTERNATIONAL LIMITED **SALOMON BROTHERS INTERNATIONAL LIMITED**

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A. **SWISS BANK CORPORATION INTERNATIONAL LIMITED**

UNION BANK OF SWITZERLAND (SECURITIES) LIMITED

November 28, 1984

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New Issue

This announcement appears as a matter of record only.

February 1985

INTERNATIONAL CAPITAL MARKETS AND COMPANIES

MORTGAGE-BACKED BONDS

Europeans snap up a U.S. delicacy

INVESTORS in the Eurobond market are being treated to a delicacy long since available to those in the U.S. domestic bond market—mortgage-backed bonds.

By securing a bond issue on property the credit rating can be greatly enhanced and so money can be raised on finer terms. So far U.S. borrowers have been the main issuers of such bonds, extending to the Euromarkets practices developed back home.

But one issue—in the Euro-sterling floating rate note sector—has significant implications for the way the UK housing market is financed. The issue which raised \$50m was made in the name of a new company, with only minimal capital—a daring enough exercise by lead manager Morgan Grenfell. But it is also the first bond issue to be backed by UK

residential mortgages. The structure of the issue took Morgan Grenfell and its lawyers many months to develop, a sign in itself that the bank believes there is potential to do many more such deals.

The company—called Mortgage Intermediary Note Issuer (No 1) or Mini for short—is a vehicle company, the sole purpose of which is to own a pool of 1,200 mortgages and match that asset with the FRN liability.

As a result the FRN is a remarkably safe investment. The rate of default on mortgages in the UK is tiny, at less than 0.001 per cent. Even so, Bank of America from which the mortgages were purchased, will cover up to £2m of losses if they should occur. Above that level Mini would have the usual recourse to law. Under English law, a mortgage is backed both by the property and the person

—so there is a double chance of getting the money back in the case of a default.

Investors snapped up the paper and future borrowers using the structure should meet a similarly good response.

That is encouraging news to the many banks which have gone into the housing finance market over the past few years. By selling the mortgages to a company like Mini, the loans can be taken off the banks' balance-sheets, allowing them to take on more mortgages and so expand their business. The banks can currently fund their mortgage business more cheaply in the Eurobond market than the building societies can from retail deposits. While interest rates stay that way, the banks could make further inroads into the building societies' market share. At the end of 1984 building societies had 77 per cent of the UK's £107bn

of outstanding mortgages. There are two parts to the mortgage business. First finding the mortgages—something the building societies and clearing banks can do through their branch networks—and second, refunding them. There is no reason why the two functions should be performed by the same organisation.

In the U.S. there is a thriving secondary market in mortgages, though bankers there have yet to come to grips with the problem of packaging floating rate mortgages for sale.

Wall Street bankers are looking for other loans to package and sell, though. Armed with the motto "anything can be securitised," bankers are planning bond issues backed by car purchase loans and even credit card debts.

M.L.U.

Eastern Airlines near debt solution

By Our New York Staff

EASTERN AIRLINES, the beleaguered Miami-based carrier, has edged closer towards a resolution of both its immediate debt problems and the battle with its trade unions.

The two issues have come together because Eastern has fallen into default on most of its \$2.5bn of long-term loans by failing to negotiate satisfactory new wages agreements within the time period specified by its lenders.

Eastern said on Friday that its lead lenders were recommending to the company's entire group of lenders that they accept proposals put forward by Mr William Usery, an Eastern consultant, earlier this week.

Mr Usery had asked the group's three unions to approve new wage agreements and has sought a commitment from its lenders to remove the default status in the event of a negotiated settlement.

Eastern said on Friday that it had reached an tentative accord with its pilots and flight attendants union and over the weekend that it had reached a settlement with its mechanics.

The settlements are believed to call for contained wage concessions, although these are unlikely to be as severe as last year, when the unions took an 18 to 22 per cent cut in pay in return for a 25 per cent equity stake in the company.

Eastern's lead lenders include Chase Manhattan Bank, Citibank, Prudential Life Insurance, and Equitable Life Insurance.

James W. Foye and Wilmington Trust, trustees of the BRFN Liquidating Trust, said it had received a \$160m cash offer from the closely held Atlantic Capital to buy all of the assets of the BRFN Liquidating Trust. BRFN Liquidating Trust was established in December to represent creditors of Braniff Airways which filed under Chapter 11 of the Federal Bankruptcy Code in May 1982 and was reorganised into Braniff Inc. Braniff owns the airplanes owned by Braniff.

The trustees said that if an affirmative response is not received by 5 pm February 15 the offer is to be deemed withdrawn.

INTERNATIONAL APPOINTMENTS

GM finds Saturn project chief within its own ranks

BY TERRY DODSWORTH IN NEW YORK

GENERAL MOTORS has broken away from the practice of decades and dug deep down into its managerial ranks to fill what is probably the most exciting job in the corporation—the presidency of the new Saturn small car project.

At 50, Mr William Hoglund, formerly head of the operating staffs group, is a mere stripling by GM standards. In the days before Mr Roger Smith took over as chairman and began to shake up the group, he would have expected to wait at least five more years to move into its topmost ranks.

At Saturn he has been given not so much rank as a chance

to shine in an experimental group which may well have an enormous impact on the way GM organises itself over the next decade.

Mr Hoglund, who was appointed to the job in tragic circumstances following the death of Mr Joseph Sanchez, comes from an auto industry background. His father, Ellis Hoglund, was in charge of GM's overseas operations until his retirement, and his brother, Peter, is vice-president of GM's electromotive division.

He goes to Saturn with a reputation as one of the young Turks of the company. In his four years at Pontiac, the com-

pany shifted decisively towards the young professional market, and brought out the highly successful sporty Fiero model.

His job at Saturn is to become even more innovative. Set up as an independent organisation, Saturn is the code name for a new small car, which will be made with the very latest technology both on the shop floor and in the back rooms. Competing in the sector of the market which the Japanese importers have made their own, Saturn has a high chance of failure; but the rewards for success could be very high for the manager who pulls off the gamble.

Chairman of Morinaga resigns

TOKYO — Mr Akio Matsuzaki, the president of Morinaga and Company, has announced that Mr Heihachi Ino, Morinaga's chairman, had resigned due to illness and will henceforth be an adviser.

Mr Matsuzaki said the 79-year-old Mr Ino has been over- come by anxiety about the future of the company, which was exposed to extortionist threats five months ago, and came down with an aggravated

cold in the middle of last month and was hospitalised. Mr Ino expressed his desire in late January to step down as chairman because the responsibility was too heavy for him. His proposal to resign was

approved by an extraordinary meeting of the board on Friday and he was then appointed a director and adviser. Morinaga is one of Japan's major confectionary and food manufacturing companies which

have become targets of extortion threats by the so-called Glico - Morinaga extortionist gang whose leader styles himself the "mystery man with 21 faces" after a crime novel of the 1930s.

The criminal gang, still at large, has sought to extort money from confectioners and food makers by threatening to plant poisoned packages of their products on store shelves. Kyoto

Basle lawyer to lead new board of IFI-Interinvest

BY JOHN WICKS IN ZURICH

DR CLAUDIUS ALDER, a Basle lawyer, is to head the new board of IFI-Interinvest, the Lugano-based management company for the Europrogramme investment fund. This follows the resignation of Sig Orazio Bagnasco, Italian proprietor of the fund, and his entire board.

Europrogramme, a Li,000bn (\$505m) unit-trust property fund, faces liquidation after enquiries into alleged irregularities by both Italian and Swiss authorities.

Last month, Swiss officials indicated that the chairmanship of IFI-Interinvest would be taken over by a Swiss "neutral personality." Dr Alder, a former independent parliamentarian, had already carried out studies into Europrogramme's

activities on behalf of the banking commission. He will head a mainly Swiss board; his vice-chairman is to be Dr Piergiusto Jaeger, a Swiss professor of commercial law at Milan University.

The Basle auditing firm of Allgemeine Treuhand (Ateq), which has ties to the Arthur Young group, will act as consultant to the board. The Europrogramme "affair" stems from a severe slump in the Italian property market and a liquidity crisis. Since last year angry unit trust holders have been trying to redeem their funds. The controversy over the sale of unquoted share certificates.

General manager for Albaab

By Mary Frings in Bahrain

MR MOHAMMED Mutaz ("Mike") Murad has been appointed general manager of one of Bahrain's major offshore banks, Al Bahrain Arab African Bank (Albaab).

He was executive vice-president of Sun Bank in Florida before joining Albaab in 1982 to become senior vice-president and deputy general manager. He succeeds Mr Baji A. Palkhiwala, who has been promoted to senior general manager of the Arab African group and will be nominated as a director of Albaab. Mr Palkhiwala was previously senior vice-president of American Express International Banking Corporation, New York, and director of Amex Bank in London.

U.S. Quarterly Results

ANDERSON, CLAYTON Food.

	1984-4	1983-4
Revenue	485.2m	412m
Net profit	8.7m	11.8m
Net per share	0.72	0.80
Div. per share	0.25	0.25
Revenue	523.5m	736.8m
Net profit	13.5m	25.6m
Net per share	0.88	2.05

AMERLUSCH-BUSCH Largest U.S. brewer

	1984-4	1983-4
Revenue	1,272m	1,860m
Net profit	71.5m	67m
Net per share	1.28	1.25
Revenue	7.16m	6.65m
Net profit	391.3m	348m
Net per share	7.40	6.50

CHUBB Property & casualty insurance

	1984-4	1983-4
Revenue	28.3m	14.5m
Op. net profit	1.38	0.78
Revenue	68.6m	84.4m
Op. net profit	3.32	4.58

GANNETT Newspapers, broadcasting

	1984-4	1983-4
Revenue	570.1m	477.1m
Net profit	74.31m	60.7m
Net per share	0.98	0.78

GENERAL SIGNAL Instrument & control systems

	1984-4	1983-4
Revenue	460m	434m
Net profit	32.8m	30.4m
Net per share	3.14	1.95

Talks on troubled Brazilian bank

BY ANDREW WHITLEY IN RIO DE JANEIRO

THE BRAZILIAN Government is acting fast to try to dispose of Sul Brasiliero, the leading financial group in the far south of Brazil, which it stepped in to save last Thursday when the group was on the brink of failure.

Negotiations between the Central Bank, which is supervising the break-up of the group, and a pool of eight leading banks on the takeover of Sul Brasiliero's extensive bank network and payment of its debts are to resume in Brasilia today.

According to Sr Jose Luis Silveira Miranda, a senior official of the Central Bank, the Government did not use "one cruiseiro" in shoring up Sul Brasiliero during its rapidly gathering crisis of recent months.

Calming local fears that the country's 15th ranked commercial bank may pass into foreign hands, Sr Miranda said this option was not being considered "for the moment." Citibank, the leading private bank in Brazil in terms of loans, is reported to have shown an in-

terest in its purchase. Meanwhile, the government-appointed supervisor of the troubled group announced over the weekend that current account holders—of which there are an estimated 1.5m—will be able to withdraw up to Cr 200,000 (US\$55) this afternoon. Term deposits and other term financial instruments are frozen until the end of the government intervention.

Over the weekend petrol stations and supermarkets were reported to be refusing to accept Sul Brasiliero cheques.

Approval for 1bn ringgit complex

BY WONG SULONG IN KUALA LUMPUR

THE MALAYSIAN authorities have finally given the go ahead for a 1bn ringgit (U.S.\$400m) commercial complex in Kuala Lumpur's central business district after years of protracted negotiations.

Multi-Purpose Holdings, the Chinese investment company, which owns the 15.2 acre site along Campbell Road, through its subsidiary, Bandar Raya Developments, said it would develop the site with Peremba, a government-owned property company, taking a 30 per cent stake in the venture.

The Campbell project will

have four office blocks, of between 35 and 48 storeys, a 537-room international hotel, apartments, and shopping arcades, with a total area of 3.8m sq ft.

Datuk Lee San Choon, MPH's chairman, said work on the first office building would start soon, and the whole project is expected to take 8 to 12 years.

Team Three, a prominent local architectural company, has been appointed the project architect, and John Portman Associates of Atlanta will be the consultants.

The Campbell project has been on the drawing board for the past 10 years. Because of

its size and location, the Malaysian authorities have insisted on a substantial Malay involvement in the venture.

As part of the compromise, the authorities have also given approval in principle to MPH for the development of two townships outside Kuala Lumpur in partnership with Permodalan Bersatu Berhad (PBB), the co-operative owned by the ruling United Malays National Organisation. MPH will be the minority partner to develop the 1,450-acre Kepong Estate, while PBB will be the majority partner in the development of the 1,750-acre Cheras Estate.

All of these Securities have been sold. This announcement appears as a matter of record only.

U.S. \$75,000,000

Hill Samuel Group Plc

Perpetual Floating Rate Notes

MORGAN STANLEY INTERNATIONAL

IBJ INTERNATIONAL

BANKAMERICA CAPITAL MARKETS GROUP

BANQUE NATIONALE DE PARIS

BARCLAYS BANK GROUP

COUNTY BANK

CREDITANSTALT-BANKVEREIN

DRESNER BANK

KREDIETBANK INTERNATIONAL GROUP

MERRILL LYNCH CAPITAL MARKETS

SUMITOMO TRUST INTERNATIONAL

UNION BANK OF SWITZERLAND (SECURITIES)

HILL SAMUEL & CO.

SAUDI INTERNATIONAL BANK

BANKERS TRUST INTERNATIONAL

BANQUE PARIBAS CAPITAL MARKETS

COMMERZBANK

CREDIT SUISSE FIRST BOSTON

DAIWA BANK (CAPITAL MANAGEMENT)

GOLDMAN SACHS INTERNATIONAL CORP.

LTCB INTERNATIONAL

SANWA INTERNATIONAL

SWISS BANK CORPORATION INTERNATIONAL

S.G. WARBURG & CO. LTD.

January 14, 1985



U.S. \$100,000,000

European Economic Community

11 1/8 % Notes due 1990

MORGAN GUARANTY LTD BANQUE NATIONALE DE PARIS S. G. WARBURG & CO. LTD.

ALGEMENE BANK NEDERLAND N.V.

BANK OF TOKYO INTERNATIONAL LIMITED

CHASE MANHATTAN CAPITAL MARKETS GROUP

COUNTY BANK LIMITED

CRÉDIT LYONNAIS

LEHMAN BROTHERS INTERNATIONAL

SAMUEL MONTAGU & CO. LIMITED

MORGAN STANLEY INTERNATIONAL

ORION ROYAL BANK LIMITED

SOCIÉTÉ GÉNÉRALE

WESTDEUTSCHE LANDESBANK GIROZENTRALE

BANCA COMMERCIALE ITALIANA

BANK BRUSSEL LAMBERT N.V.

COMMERZBANK AKTIENGESELLSCHAFT

CRÉDIT COMMERCIAL DE FRANCE

DRESNER BANK AKTIENGESELLSCHAFT

LTCB INTERNATIONAL LIMITED

MORGAN GRENFELL & CO. LIMITED

NOMURA INTERNATIONAL LIMITED

SALOMON BROTHERS INTERNATIONAL LIMITED

SOCIÉTÉ GÉNÉRALE DE BANQUE S.A.

February 1, 1985

All of these securities have been sold. This announcement appears as a matter of record only.

Citicorp treads warily in the life market

WHEN Citicorp, the U.S. banking group, announced in its annual report last year that it had received permission from the Federal Reserve Board to transact life business in Britain, speculation grew that it would be bidding soon for a leading British life company. It clearly had the resources for such an acquisition.

The share prices of Sun Life Assurance and Equity and Law Life Assurance Society, two British life companies which would be Citicorp's requirements, have fluctuated since takeover rumours grew and died.

However a press interview in London last week by Mr Hans Angermuller, Citicorp's vice-chairman, should have scotched speculation that the company was poised to swoop.

In outlining Citicorp's strategy, Mr Angermuller reaffirmed the company's intention to enter the insurance market. Insurance was second only in size to banking in the financial services sector.

The ultimate aim was for Citicorp to provide all its customers, individual and institutional, with a complete range of financial services and that meant providing a full insurance service, he said.

The Fed effectively blocked Citicorp, and other banks, from underwriting insurance risks in the U.S. unless they were directly tied to banking activities. It took a more benign attitude towards insurance marketing and, because of the lesser risks, insurance distribution, a field in which Citicorp has experimented in some U.S. areas.

Insurance in the U.S. is traditionally the most regulated in the world with few opportunities to expand. The Fed wanted the attitude that banks should compete on equal terms with the same facilities as local banks.

Banks in Britain can—and

some do—have life insurance subsidiaries. Citicorp was given permission to underwrite life business here—and in West Germany, Belgium and Australia.

Having obtained this permission, Citicorp has been in the throes of deciding how to proceed. It has the necessary insurance company—Citibank Assurance—to expand its life insurance here. This company is a subsidiary of Citibank Savings, the British banking operation acquired several years ago and until now kept on the shelf. Since the beginning of this year, the insurance company has been trading actively, though on a very small scale.

Citicorp is considering how to expand the operations of Citibank Assurance and Mr Angermuller accepts that internal growth of insurance companies is slow, a process which consumes capital, not the latter consideration is any bar to the company.

The alternative—acquiring an existing British insurance company—is ruled out for the moment by Mr Angermuller. "There are too many fancy prices being asked for UK life companies," he said.

Mr Angermuller feels that now is not the time to get too involved in an insurance distribution system here which shows every sign of soon being radically cut.

In this respect, he appears to be looking further into the future than many commentators and most traditional life companies in Britain. These are expanding their marketing outlets beyond the traditional independent intermediary by setting up their own direct sales forces.

Moves towards electronic sales methods, integrated financial services and public credit systems, which would lead to a cut in direct sales, are being achieved by most British life companies.

Citibank Savings already has established links with British life companies to market and distribute their house mortgage and small business loans, using the marketing outlets of those companies. Although Mr Angermuller's aim is for Citibank Savings to provide all the services and thus keep all the profits for its shareholders, he is not ready to upset a system which is working well until he has a satisfactory replacement.

In property and casualty insurance, Citibank Savings has moved into the marketing and distribution side by acquiring the insurance brokerage operation Grindlay, Brandt, Citibank is considering whether to make other acquisitions. Here again high prices are being asked for insurance brokerage operations.

Mr Angermuller is not anxious to get into underwriting of life business and thankful that the Fed prevents him even considering it in the U.S.

Eric Short

Executive posts at Eschmann Bros. and Walsh

Mr Paul Batterbury has been appointed managing director of Eschmann Bros. & Walsh, part of the CLAXO GROUP, which succeeds Mr Jim Everett, who has left to take up an appointment at Vickers Medical.

Mr Batterbury, who also assumes responsibility for the healthcare division of Eschmann, joined the company in April 1982 as director and general manager of the equipment division, a post now taken by Mr Fred Week, previously commercial manager of that division.

HONEYWELL INFORMATION SYSTEMS has appointed Mr Terry Christie the director of its new integrated services division. Mr Christie, who has been London region manager of Honeywell's commercial construction division for the past two years, took up his new post on February 15.

JOHN LAING has announced the formation, within John Laing Construction, of LAING MCECH.

ANICAL CONSTRUCTION SERVICES as a specialised activity to further develop and expand their engineering in mechanical engineering. Mr Peter White, a director of John Laing, becomes chairman and Mr Nigel Pitcher has been appointed managing director.

Mr T. R. Keene has been appointed a non-executive director of HOME COUNTIES NEWS-PAPERS. He was for many years senior partner in Keene, Shay Keene & Co., the company's auditors, until his retirement.

Mr Peter Allison, chief mining engineer of the National Coal Board's North Yorkshire area, has been elected national president of the INSTITUTION OF MINING ENGINEERS.

Mr J. C. Burke-Gaffney, currently with Shell International Petroleum Co., has been appointed director general of the BRITISH RED CROSS SOCIETY to succeed Mr D. J. Piggott, who retires in September.

DUNCAN C. FRASER & COMPANY, consulting actuaries, has appointed Mr Peter Felton as joint senior partner and Mr Francis Nole as partner.

BUCKMANS has appointed Mr Paul Shohet to their board. He was commercial director at the Institute of Chartered Accountants in England and Wales.

Mr M. G. Parke, financial controller of the British Arrow Group, has been appointed a director of NATIONAL EMPLOYERS' LIFE ASSURANCE.

OILFIELD INSPECTION SERVICES GROUP has appointed Mr John A. Wills as non-executive chairman, enabling the principal executive directors, Mr Colin Seward and Mr Allan

Cull, to concentrate fully on their executive roles. Mr Mills recently relinquished the post of group managing director of Molloy but retains a non-executive director with similar positions on the boards of Powell Duffryn and Thrisal.

Mr Engelen Clempert has been appointed general manager of the new London branch of KREDIET-BANK NV. Previously he was manager of the foreign division at the Brussels head office.

HARRIS & DIXON (Insurance Brokers), Lloyd's brokers, has appointed Mr C. A. Graham as chairman. Mr M. W. Pragell becomes president and Mr D. F. Dossell remains chief executive.

Mr David E. Owen, Clarkson Puckle & Tiley, Bradford and Mr R. Smith, Harrison Puckle North West, Ashton-under-Lyne, have been appointed to the board of CLARKSON PUCKLE UK.

Three appointments have been made by J. D. WILLIAMS. Mr Barry E. Whitehead joins as operations director. He was distribution manager for Halfords. Mr Alan White joins as finance director of J. D. Williams and company secretary of N. Brown Investments, the parent company. Mr White was with Arthur Anderson, UK as general manager, finance. The third appointment gives promotion to Mr Iain S. MacFarlane, formerly computer manager.

Mr Charles Troughton, at present a vice-chairman, has been appointed deputy chairman and Mr George Craig, at present group managing director, has in addition been appointed a vice-chairman of WILLIAM COLLINS.

Mr John Coleman has become a managing director of Rapier Developments, CHARLES BARKER GROUP, specialist "below-the-line" company. He joins from the board of Doyle Dane Bernbach.

Mr Ian Curran has been appointed joint managing director of FITCH & COMPANY DESIGN CONSULTANTS. He was financial director.

Mr J. R. Gledhill has resigned as chairman, chief executive and director of THOMAS MARSHALL (LOCKLEY), and Mr R. D. Hart has been appointed chairman.

ORCHARD FOOD HOLDINGS, Cheshamford, has appointed Mr Jim K. F. Macleod as finance director. He was finance director at Corden Bion, the Argyl group's freezer centre operation.

Following the retirement of Mrs L. M. B. Macleod from the board, Mr Eric Fountain becomes deputy chairman of BEATIES.

Mr Keith N. T. Holland and Mr Malcolm J. Higgs have joined DAVIS INTERNATIONAL BANKING CONSULTANTS as executive directors to establish a capability in human resource development. Mr R. Allen, an existing executive director, has been appointed deputy managing director. Mr Holland

Transocean Gulf Oil Company

8% Guaranteed Debentures Due 1986
(now Gulf Oil Corporation 8% Debentures Due 1986)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the indenture dated as of March 1, 1971, under which the above-designated Debentures are issued, \$1,468,000, aggregate principal amount of such Debentures of the following distinctive numbers has been selected for redemption on March 1, 1985 (herein sometimes referred to as the redemption date):

647 2225 4904	6563 15992 19977 30741	21407 22068 23278 24882 24910	25433 27369 28106 28976
40 2227 4901	8078 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
50 2331 4903	8085 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
58 2331 4903	8092 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
61 2333 4905	8097 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
64 2334 4906	8100 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
67 2335 4907	8103 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
70 2336 4908	8106 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
73 2337 4909	8109 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
76 2338 4910	8112 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
79 2339 4911	8115 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
82 2340 4912	8118 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
85 2341 4913	8121 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
88 2342 4914	8124 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
91 2343 4915	8127 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
94 2344 4916	8130 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
97 2345 4917	8133 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
100 2346 4918	8136 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
103 2347 4919	8139 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
106 2348 4920	8142 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
109 2349 4921	8145 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
112 2350 4922	8148 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
115 2351 4923	8151 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
118 2352 4924	8154 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
121 2353 4925	8157 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
124 2354 4926	8160 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
127 2355 4927	8163 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
130 2356 4928	8166 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
133 2357 4929	8169 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
136 2358 4930	8172 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
139 2359 4931	8175 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
142 2360 4932	8178 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
145 2361 4933	8181 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
148 2362 4934	8184 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
151 2363 4935	8187 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
154 2364 4936	8190 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
157 2365 4937	8193 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
160 2366 4938	8196 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
163 2367 4939	8199 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
166 2368 4940	8202 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
169 2369 4941	8205 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
172 2370 4942	8208 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
175 2371 4943	8211 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
178 2372 4944	8214 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
181 2373 4945	8217 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
184 2374 4946	8220 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
187 2375 4947	8223 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
190 2376 4948	8226 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
193 2377 4949	8229 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
196 2378 4950	8232 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
199 2379 4951	8235 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
202 2380 4952	8238 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
205 2381 4953	8241 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
208 2382 4954	8244 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
211 2383 4955	8247 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
214 2384 4956	8250 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
217 2385 4957	8253 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
220 2386 4958	8256 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
223 2387 4959	8259 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
226 2388 4960	8262 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
229 2389 4961	8265 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
232 2390 4962	8268 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
235 2391 4963	8271 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
238 2392 4964	8274 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
241 2393 4965	8277 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
244 2394 4966	8280 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
247 2395 4967	8283 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
250 2396 4968	8286 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
253 2397 4969	8289 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
256 2398 4970	8292 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
259 2399 4971	8295 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
262 2400 4972	8298 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
265 2401 4973	8301 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
268 2402 4974	8304 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
271 2403 4975	8307 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
274 2404 4976	8310 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
277 2405 4977	8313 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
280 2406 4978	8316 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
283 2407 4979	8319 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
286 2408 4980	8322 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
289 2409 4981	8325 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
292 2410 4982	8328 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
295 2411 4983	8331 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
298 2412 4984	8334 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
301 2413 4985	8337 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
304 2414 4986	8340 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
307 2415 4987	8343 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
310 2416 4988	8346 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
313 2417 4989	8349 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
316 2418 4990	8352 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
319 2419 4991	8355 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
322 2420 4992	8358 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
325 2421 4993	8361 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
328 2422 4994	8364 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
331 2423 4995	8367 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
334 2424 4996	8370 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
337 2425 4997	8373 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
340 2426 4998	8376 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
343 2427 4999	8379 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
346 2428 5000	8382 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
349 2429 5001	8385 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
352 2430 5002	8388 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
355 2431 5003	8391 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
358 2432 5004	8394 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
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364 2434 5006	8400 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
367 2435 5007	8403 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
370 2436 5008	8406 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
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379 2439 5011	8415 15998 19983 20770	21410 22076 23288 24896 24921	25436 27378 28110 28981
382 2440 5012	8418 15998 19983 20770	21410 22076 23288 24896 2492	

Closing prices, February 8

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

[illegible]

Continued on Page 21

7. 10. 1991

Continued on Page 22

1. *Chlorophyll a* and *Chlorophyll b* were determined using a spectrophotometer (Shimadzu UV-1601) at 663 nm and 646 nm, respectively. The concentrations were calculated using the following equations:

Continued on Page 22

* Sales figure are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to less than 10% of the outstanding shares is high, the split or dividend are shown for the new stock and shares otherwise noted, ratios of dividends are annual measurements based on the latest declaration.

OVER-THE-COUNTER

[illegible]

Proton	823	17½	18½	17½	+½
ProDp	15	8	8	5	-½
ProgCp	20	232	37½	37	37½
Progrp		30	5½	4½	4½
Progrtr	130	43	14½	14½	14½
ProDp 8		1027	24½	23½	24½
ProDp		100	3	2½	2½
ProDn		21	14½	14½	14½
ProDNC	172	30	21½	21½	21½
Puffin	768	5½	5½	5½	-½

work with a world class organization toward progress and mutual profit. To both we offer our code of honor.

SABIC 

**World Class Petrochemicals.
World Wide Cooperation.**

Saudi Basic Industries Corporation
P.O. Box 5101, Riyadh 11422, Saudi Arabia
Telex: 201177 SABIC SJ

[illegible]

INDUSTRIALS—Continued

[illegible]

preference dividend paid or deferred. G Canadian. E Minimum
price. F Dividend and yield based on prospectus or other official
for 1984-85. H Accumulated dividend and yield after pending scrie and/

* In Dividend and yield based on prospectus or other official for 1983. Dividend based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. Dividend and yield based on prospectus or other official estimates for 1983. 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U.S. \$20,000,000
Bearer Depositary Receipts
representing undivided interests in a
Floating Rate Deposit finally due 1986

C.A. Cavendes
Sociedad Financiera

(Incorporated with limited liability in the Republic of Venezuela)

evidenced by consecutive three month Certificates of Deposit
Notice is hereby given pursuant to the
Terms and Conditions of the Bearer Depositary Receipts
(the "BDRs") that for the three months from
11th February, 1985 to 13th May, 1985
the BDRs will carry an interest rate of 9 1/2% per annum.
On 13th May, 1985 interest of U.S.\$24.01 will be
due per U.S.\$1,000 BDR and U.S.\$24.01 due
per U.S.\$10,000 BDR for Coupon No. 23.

European Banking Company Limited
(Agent Bank)

11th February, 1985

Series 023

U.S. \$42,000,000

Short-term Guaranteed Notes
issued in Series under a

U.S. \$280,000,000

Note Purchase Facility

by

Mount Isa Mines

(Coal Finance) Limited

Notice is hereby given that the above Series of Notes issued
under a Production Loan and Credit Agreement dated
30th March, 1983, carry an interest rate of 9 1/2% per
annum. The Issue Date of the above Series of Notes is
13th February, 1985, and the Maturity Date will be 13th
August, 1985. The Euro-clear reference number for this
Series is 11561 and the CEDEL reference number is 876298.
Manufacturers Hanover Limited
Issue Agent

11th February, 1985

Forward Trust DEPOSIT RATES

Depositors are advised that with effect from February 12th 1985 the following rates will apply to deposit accounts with Forward Trust Limited.

Notice of withdrawals: 7 days* 1 month 3 months 6 months 12 months
Deposits of £1-£50,000 11.00% 12.00% 12.125% 12.25% 12.375%
*Applies to existing deposits only. New deposits at 7 day notice are not accepted.

FORWARD TRUST GROUP

A member of Midland Trust Group

For further information apply to: Forward Trust Limited, Deposit Department,
12 Calthorpe Road, Birmingham B15 1JQ. Telephone: 021-454 6141.

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and does not constitute an offer of, or invitation to subscribe for or purchase, any securities.

U.S. \$200,000,000 IBM Credit Corporation

(Incorporated under the laws of Delaware, U.S.A.)

Extendable Notes Due March 1, 2000

The following have agreed to purchase the Notes:

Salomon Brothers International Limited

Credit Suisse First Boston Limited

Morgan Guaranty Ltd

Banque Nationale de Paris

Banque Paribas

Commerzbank Aktiengesellschaft

County Bank Limited

Crédit Lyonnais

Deutsche Bank Aktiengesellschaft

Dresdner Bank Aktiengesellschaft

LTCB International Limited

Merrill Lynch International & Co.

Swiss Bank Corporation International Limited

Union Bank of Switzerland (Securities) Limited

Application has been made to the Council of The Stock Exchange for the Notes to be admitted to the Official List.

Interest on the Notes is payable annually on March 1, commencing March 1, 1986.

Litigating Particulars relating to IBM Credit Corporation and the Notes are available in the External Statistical Service and copies may be
obtained during usual business hours up to and including February 13, 1985 from the Company Announcements Office of The Stock
Exchange end up to and including February 25, 1985 from:

Cazenove & Co.
12, Tokenhouse Yard,
London EC2R 7AN

The Chase Manhattan Bank, N.A.
London Branch,
Woodgate House,
Coleman Street,
London EC2P 2ND

February 11, 1985



**National
Westminster
Bank PLC**

NatWest announces that
with effect from
Monday, 11th February, 1985,
its Branch Standard Rate
is increased from
21% to 24%

(Branch Standard Rate is charged on
borrowings arising without arrangement.)

41 Lothbury London EC2P 2BP



Kingdom of Belgium

U.S. \$300,000,000

Undated Floating Rate Notes

In accordance with the provisions of the Notes, notice is
hereby given that for the six months interest period from
11th February, 1985 to 12th August, 1985 the undated notes
will carry an interest rate of 9 1/2% per annum.

Interest payable on 12th August, 1985 will amount to
U.S. \$12,006.94 per U.S. \$250,000 undated Note.

Morgan Guaranty Trust Company of New York
London
Agent Bank

CURRENCIES, MONEY and CAPITAL MARKETS

FINANCIAL FUTURES

LONDON

THREE-MONTH EURO-DOLLAR

5m points of 100%

March 90.57 90.57 90.57 90.57

June 90.57 90.57 90.57 90.57

Sept 90.57 90.57 90.57 90.57

Dec 90.57 90.57 90.57 90.57

Estimated volume 7,498 (6,362)

Previous day's open 14,559 (14,327)

THREE-MONTH STERLING

250,000 points of 100%

March 97.57 97.57 97.57 97.57

June 97.57 97.57 97.57 97.57

Sept 97.57 97.57 97.57 97.57

Dec 97.57 97.57 97.57 97.57

Estimated volume 2,544 (2,465)

Previous day's open 14,559 (14,327)

25-YEAR 12% NATIONAL GILT

250,000 points of 100%

March 104.10 104.10 104.10 104.10

June 104.10 104.10 104.10 104.10

Sept 104.10 104.10 104.10 104.10

Dec 104.10 104.10 104.10 104.10

Estimated volume 2,544 (2,465)

Previous day's open 14,559 (14,327)

Bank quote (last cash price of 13 1/2%)

Treasury 2000 less equivalent price

of near futures contract -5

(2000)

STERLING 250,000 \$ per £

March 1.1063 1.1063 1.1063 1.1063

June 1.1063 1.1063 1.1063 1.1063

Sept 1.1063 1.1063 1.1063 1.1063

Dec 1.1063 1.1063 1.1063 1.1063

Estimated volume 225 (4,161)

Previous day's open 1.1063 (5,419)

DEUTSCHE MARKS

DM 125,000 \$ per DM

March 1.9050 1.9050 1.9050 1.9050

June 1.9050 1.9050 1.9050 1.9050

Sept 1.9050 1.9050 1.9050 1.9050

Dec 1.9050 1.9050 1.9050 1.9050

Estimated volume 1,111 (1,111)

Previous day's open 1.111 (1,111)

SWISS FRANCES

Sfr 125,000 \$ per Sfr

March 1.3621 1.3621 1.3621 1.3621

June 1.3621 1.3621 1.3621 1.3621

Sept 1.3621 1.3621 1.3621 1.3621

Dec 1.3621 1.3621 1.3621 1.3621

Estimated volume 1,111 (1,111)

Previous day's open 1.111 (1,111)

JAPANESE YEN 125,000 \$ per ¥100

March 1.3621 1.3621 1.3621 1.3621

June 1.3621 1.3621 1.3621 1.3621

Sept 1.3621 1.3621 1.3621 1.3621

Dec 1.3621 1.3621 1.3621 1.3621

Estimated volume 1,111 (1,111)

Previous day's open 1.111 (1,111)

FT-SE 100 INDEX

225 full index point

March 123.05 123.05 123.05 123.05

June 123.05 123.05 123.05 123.05

Sept 123.05 123.05 123.05 123.05

Dec 123.05 123.05 123.05 123.05

Estimated volume 1,111 (1,111)

Previous day's open 1.111 (1,111)

U.S. TREASURY BONDS

8 1/2% 100,000 32nds of 100%

March 71.10 71.10 71.10 71.10

June 71.10 71.10 71.10 71.10

Sept 71.10 71.10 71.10 71.10

Dec 71.10 71.10 71.10 71.10

Estimated volume 2,614 (1,796)

Previous day's open 1,747 (2,109)

CHICAGO

U.S. TREASURY BONDS (CBT)

8 1/2% 100,000 32nds of 100%

March 71.10 71.10 71.10 71.10

June 71.10 71.10 71.10 71.10

Sept 71.10 71.10 71.10 71.10

Dec 71.10 71.10 71.10 71.10

Estimated volume 2,614 (1,796)

Previous day's open 1,747 (2,109)

U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

June 91.30 91.30 91.30 91.30

Sept 91.30 91.30 91.30 91.30

Dec 91.30 91.30 91.30 91.30

Estimated volume 30.11 30.11

Previous day's open 30.11 30.11

U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

June 91.30 91.30 91.30 91.30

Sept 91.30 91.30 91.30 91.30

Dec 91.30 91.30 91.30 91.30

Estimated volume 30.11 30.11

Previous day's open 30.11 30.11

U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

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Estimated volume 30.11 30.11

Previous day's open 30.11 30.11

U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

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Estimated volume 30.11 30.11

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U.S. TREASURY BILLS (1MM)

5m points of 100%

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Estimated volume 30.11 30.11

Previous day's open 30.11 30.11

U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

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U.S. TREASURY BILLS (1MM)

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U.S. TREASURY BILLS (1MM)

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U.S. TREASURY BILLS (1MM)

5m points of 100%

March 91.30 91.30 91.30 91.30

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Dec 91.30 91.30 91.30 91.30

Estimated volume 30.11 30.11

FINANCIAL TIMES SURVEY

Kuwait

In addition to the squeeze on oil prices, plus the aftermath of the crash of the Souk al Manakh stock exchange, Kuwait in election year is also faced with a major war on its borders and a powerful neighbour calling for Islamic revolution.

Fresh mood of realism

THE AGE of plenty is over, at least temporarily, for the hereditary monarchies of the Gulf. After more than a decade of hectic growth and mounting financial surpluses, budgets are beginning to show deficits. Little more than 15 per cent of the industrialised world's oil requirements now pass south through the Strait of Hormuz.

Gatherings of Ministers from the Organisation of Petroleum Exporting Countries increasingly take on the appearance of a squabbling crew uncertain about how to keep the once buoyant ship afloat. Hotels, where executives once treasured a chair in the lobby for the night, now offer discounts to tempt the customers. Rents are tumbling from their Manhattan peaks and shops lie empty in magnificent marbled shopping malls.

It is all still relative, of course. If Kuwait was a company it would be still trading profitably but as a one-product economy it would also be attracting the attention of the bears and of those shareholders who suspected that some members of the board had not yet appreciated the changed trading circumstances.

Oil revenues have more than halved since the 1979-80 financial year and few people, even in the perennially optimistic Gulf, see grounds for predicting any rapid resurgence of demand. On the contrary, it is considerably easier to find oil market analysts who predict a further softening of prices.

To those anxieties common to all oil producers, the authorities in Kuwait have to add the intermittent threat to its supply lines posed by the air strikes against tankers in the Gulf and the wider political disturbances created by the next-door war

Kuwait City in December 1983 underlined the determination of the country's enemies.

It is also suggested to some Kuwaitis that an Iran with hunted teeth might be looking for softer nuts to crack. However few fissures have appeared in the solid nationalist front of the Kuwaiti Shias and like their brethren in Iraq they much prefer to regard Khomeini as a Pope rather than a political leader.

Those who dissent from that view and have been identified by the security services are among the thousands who have been deported from Kuwait in the past two years.

The potent combination of a major war on its borders, a massively more powerful neighbour preaching Islamic revolution and a determined squeeze on the price of its sole exportable commodity, should have signalled a period of intense caution in Kuwait.

Instead, it launched itself into the most spectacularly ill-founded stock exchange extravaganza the capitalist world has seen. The full cost to the nation of the \$92bn worth of post-dated and largely valueless cheques which eventually emerged has yet to be assessed. The technical unscrambling of the myriad chains of debt has substantially been completed but the fate of the largest debtors has still to be decided. Meanwhile, attempting to assess the net worth of many com-



Aware of the risks ahead: Shaikh Jaber Al-Ahmad Al-Sabah, Kuwait's ruler, who came to power in January, 1978

panies and individuals remains a largely academic exercise.

The Government has undertaken what amounts to a massive nationalisation programme and is now the majority shareholder in nearly half the quoted companies on the official stock exchange. It injected over \$2bn into the market to stabilise share prices but convinced no one. Most expatriate advisers working for Kuwaiti financial institutions appear to believe that values still have some distance to fall before buyers begin to appear.

Just as when the market was surging ahead no one believed it could peak, so today when it is falling no one appears to think that it has reached the bottom.

What some analysts fear is that the moment a psychological barrier is breached all Kuwaitis with liquid funds will simultaneously turn into buyers and

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the pendulum will again swing uncontrollably upwards.

"The urge to make very large sums of money with very little effort is endemic in this country. No one will remember in a few months or years about the last disaster. The temptation will be just too great unless far stricter regulations are imposed and policed by the authorities."

This comment by a Western banker is not shared by some Kuwaitis who believe that lessons have been learned and that most who have lost everything will stand like wrecked cars by the side of the motorway to remind the reckless.

Priming the financial pump

However, the cost to the national exchequer continues and the Government may have to repatriate several more billions of dollars more before it succeeds in re-establishing confidence, or as one banker put it, "priming the pump without turning it into a gusher."

The crash of the Souk al-Manakh stock exchange should be the main domestic issue in the elections for the National Assembly to be held later this month. Kuwaitis are proud of their limited democracy and the power of the National Assembly to vote down government legislation and to approve laws which Ministers oppose.

Political parties are not permitted, but "tendencies" are easily visible with a few men emerging during the life of a parliament as the principal leaders of the opposition. In the Assembly, just ended, it was the Islamic fundamentalists, for whom all issues were viewed in relation to the teachings of the Koran. They proved to be a thorn in the Government's side more through their insistence on Islamic legislation than be-

cause of any challenges they threw down to the Government on secular issues.

This situation is likely to be reversed after the votes are counted later this month. It is widely expected that the fundamentalists will do badly and their role will be taken over by candidates inspired by the Arab nationalism of the late 1950s and 1960s.

The Nationalists want both a wider electoral franchise and far more profound debate on the country's economic future. While accepting that the Emir, as head of state, is above the political fray, they do not hide their belief that part of the royal circle would like to diminish the powers of the National Assembly in order to continue running Kuwait as primarily a family business.

The temptation may well become greater for these people if the economy does not show clear signs of reviving during the latter part of this year. Some essentially conservative politicians are already warning that unless the Government acts now to cut expenditure further and, more importantly, accepts the need to reduce the inflated level of expectations created by the cradle-to-the-grave welfare state, it could face far more explosive political decisions later.

They are also deeply concerned at Kuwait's apparent acceptance of the need for im-

expatriates whom they describe as an excessive drain on the country's resources and account for more than 60 per cent of the expenditure of several key Ministries.

This is all part of the broader argument about what sort of future the 600,000 Kuwaiti nationals should be creating for themselves and how best the new generation, better educated

and more widely travelled, can be absorbed into the fabric of the state. Wider popular participation in Government is certainly one way and has the additional benefit of involving more people in the safety net of paternalistic government catches both the very idle and the speculatively reckless.

It might also help to create a greater sense of personal responsibility in a country where the safety net of paternalistic government catches both the very idle and the speculatively reckless.

Sophisticated and tolerant

Kuwaitis tend to see themselves as the most sophisticated, cosmopolitan and tolerant people of the Gulf with a broadly benevolent form of government, a diverse press and an acute business sense. When coupled to an almost inexhaustible natural resource that costs virtually nothing to extract it is small wonder that even those most critical of Kuwait's leadership should describe themselves as living in a sort of paradise. But that appreciation is made only in order to emphasise the risks that lie ahead. Kuwait cannot afford financially or politically another Souk al-Manakh if public confidence is to be maintained in the present system of government and the country is to retain a broad degree of international respect.

"We must, as a nation, relearn both the value of money and a sense of civil responsibility," said a member of a leading business family. "Otherwise we are going to turn into another Monte Carlo, but just with the casino. And the most ridiculous thing is that the gamblers there are trying to bankrupt the house in which they live."

Trade Finance: A Tradition at NBK



After three centuries' experience, trade is first nature to Kuwait.

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At the heart of this activity is The National Bank of Kuwait.

Since 1952, the Bank has been closely associated with the country's development. Today with total assets in excess of U.S. \$ 10 billion, it is Kuwait's oldest and largest bank: its expertise in the financial aspects of international trade is second to none.

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Licensed Deposit Taker
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Telephone: 01-920 0262
01-588 0541 (Dealing Room)
Telex: 892348/8811325 NBKLDN G
894610/894617-9 NBKLFX G (Dealers)

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Telephone: (212) 303-9800
Telex: 421486 NBK NY

Singapore
The National Bank of Kuwait S.A.K.
Singapore Branch and Representative Office for South East Asia and Australasia
11-01 The Octagon, 105 Cecil Street
Singapore 0106.
Telephone: 2225348/49
Telex: KUBANK RS 20538



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Kuwait 2

Views differ on meaning of democracy

THERE IS no agreement in Kuwait on what democracy should mean. To some it represents little more than a form of consultation, a confirmation of decisions already reached or of policies already formed. Others see it essentially as a channel for exercising influences, as a means for personal enrichment and for the advancement of families and friends.

A further group believes that it should be a process through which a growing section of the population have the right, through their elected representatives, to initiate and approve legislation.

Yet another group would like to extend democracy to the point where it alone is responsible for the selection of government, if not the head of state. Elements which have been particularly vociferous over the past four years want democracy to be the path along which the people rediscover the basic tenets of Islam and order their lives accordingly.

On February 20, the 56,848 Kuwaiti men who have the right to vote in a general election will select 50 of their number to represent them in the National Assembly and by so doing will give some indication of the country's probable political evolution during the next four years.

The structure of Kuwait society and the manner in which the 25 constituency boundaries are drawn makes certain predictions relatively easy. In at least half of the constituencies candidates will be returned essentially as family representatives.

Key issues

For the most part, their aim in the National Assembly will be to protect and develop the interests of a single family or group of families. The issues in which they will become involved will tend to be the parochial and they are less likely to be drawn into debates on wider national or international issues.

Nevertheless, even in some of the more rural constituencies where the candidate is virtually appointed by the head of the tribe or family, the younger generation is breaking through. Graduates are starting to be shown as candidates and some politicians predict that in the course of the next decade this group will become steadily less predictable.

By predictable they mean that the ruling family and the Government will be less assured of their virtually unquestioning support.

The power brokers within these constituencies are also

Political scene

ROGER MATTHEWS

becoming more aware of the quality of candidate needed to be successful in the National Assembly. Re-election, an issue all-too-well-known within the British Labour Party, is very much a part of Kuwaiti political life.

"If our member of the National Assembly is thought not to have done very well, then we kick him out," said a member of a prominent family. "We also have a system not unlike the American primaries where several candidates compete against each other to see who will finally run for the Assembly."

Challenges are also mounted to the dominance of a particular tribe in a constituency through caucuses attended by representatives of ten or a dozen small families. At those meetings they attempt to select a single agreed candidate who might stand a good chance of at least splitting the two majority candidates.

It is within the urban constituencies that the more genuinely political contests take place with candidates being identified as much by their attitudes to major issues as by their family affiliations. The absence of political parties intensifies the role of individuals who anyway are in a position to be known personally to each member of their constituency electorate. The largest of Kuwait's electoral districts has 3,809 voters, the smallest 1,317.

Although approximate political groupings do emerge, candidates invariably refer to their own stance in relation to the best known member of a particular group. Thus, the broad tendency which made the

biggest impact in the last election—the Islamic fundamentalists—composed of men differing views who, for convenience, may choose to explain their attitudes in relation to Khaled Sultan, the man who did most to stir Kuwaiti emotions during the life of the last National Assembly.

But whatever the differences across the broad spectrum of fundamentalist views, all tend to be damaged by its excesses and this is likely to be reflected at the polls. Few people in Kuwait expect the fundamentalists, liberal or conservative, to repeat their previous successes and some predict that apart from two Shia members there will not be anyone in the Assembly wearing a primarily religious label.

The reasons for this are several. Fundamentalism throughout the Middle East has increasingly come to be associated with violence and intolerance, ranging from the assassination of President Sadat, through events in Lebanon to the Iran-Iraq war.

Locally, some of the more fiery pronouncements by Khaled Sultan have given rise to accusations that his more literal interpretations of the Koran would set society back by several hundred years.

Attempts in the National Assembly to amend the constitution in order to make Islamic law the only source of legislation fuelled these anxieties and at least part of the expatriate community feared worse was to come when a law was approved banning foreign embassies from importing alcohol.

Separation

The greatest furor, however, erupted last year when a group of students wrote to the blind Saudi Arabian religious leader, Sheikh Abdul Aziz bin Baz for a ruling on the separation of the sexes at university. It was Bin Baz who, in 1966, rejected the theory that the earth rotated around the sun.

"The earth is fixed and stable, spread out by God for his mankind... and fixed down firmly by mountains lest it shake," he declared.

Anyone who believed otherwise was guilty of "falsehood toward God, the Koran and the Prophet," Baz duly replied to the students, predictably insisting that the sexes should be kept apart at university.

For a fortnight the controversy raged, with the Kuwaiti press given full rein to attack this intolerable interference in Kuwait's domestic affairs, the slur on the country's own religious leadership and the shocking label on the virtue of Kuwaiti ladies.

Viewed objectively it was a small-enough issue, sparked off by unrepresentative students and responded to by a man who had previously fallen foul of the Saudi Arabian authorities for his pronouncements. Yet it proved a convenient stick with which to beat the fundamentalists who, in the absence of any other significant opposition grouping, had become the main thorn in the Government's flesh.

Few of the fundamentalists doubt that the Government will be doing all within its power to ensure their electoral defeat, spurred on by other regional and international forces. In the 1981 election, Khaled Sultan secured only a

four-vote margin over the third place candidate in his constituency, and was already highly vulnerable.

That same election witnessed the defeat of the "nationalist" forces headed by Dr Ahmed Al-Khatib who now looks set to make a return to the Assembly.

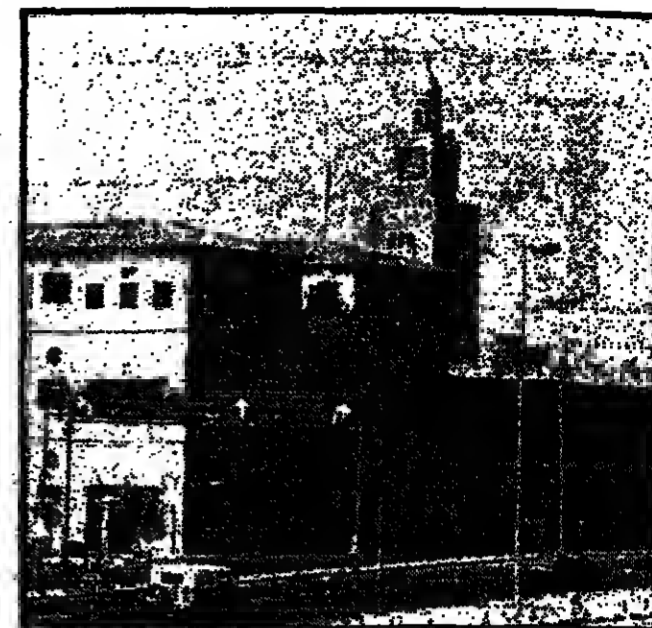
Man of vision

Dr Khatib's long history of political involvement in Kuwait makes him one of the country's best-known public figures and one who is capable of attracting loyalty among the younger and more radical elements of the electorate.

He is also a man who has a clear political vision and will rest his campaign on issues as much as on personalities. Dr Khatib has no doubt that his re-election will be strongly opposed by the authorities who are accused of having manipulated his defeat in the last round of voting.

The ruling family suspects, probably correctly, that Dr Khatib would favour a substantial reduction in its constitutional powers, together with a widening of the franchise which would initially give "second class" Kuwait citizens the right to vote. At the moment only "first class" male citizens over the age of 21 who can prove that their forebears were residents prior to 1922 have the right to register as voters. All women are excluded.

The threat which the authorities fear Dr Khatib could pose in the National Assembly has, however, little to do with his group's possible numerical strength. At most, Dr Khatib and his supporters will control six of the 50 elected seats. Rather, it is the probability that Dr Khatib will secure wide publicity for his concentration on specific issues, such as the Souk al-Manakh collapse, which causes alarm.



A section of the Sief Palace in Kuwait. The constitution prescribes that Kuwait is a fully independent Arab state, with a democratic form of government. The legislative authority is invested in the Amir.

Independent candidate's view of share price levels

A sharp critic of the Government

PROFILE: Jassim Mohammed Al-Kharafi, member of the Kuwait National Assembly and chairman of the Finance and Economy Committee.

Mr Kharafi is running for re-election to the National Assembly as an independent and claims that political labels have little significance in Kuwait because "everything here is based on personal contact." A member of one of Kuwait's oldest-established and affluent families, Mr Kharafi considers himself a representative of the state's "silent majority" and advocates "balanced" policies.

As such, he is sharply critical of the Government's handling of the Souk al-Manakh crisis and its failure to act promptly when share dealing began to get out of hand.

"The Government allowed the situation to drag on and gave the impression that all Kuwaiti people were involved in the situation, which was just not the case. If the Government had been wise it would have allowed some people and some companies to have become bankrupt and to have faced reality. As it is, Souk al-Manakh

may now be almost finished as a problem in one sense, but we are still not really accepting the reality."

The fastest way to reality, according to Mr Kharafi, would be for the Government to abandon its attempts to shore up share prices levels.

"By injecting funds, the Government creates a false impression of market buoyancy. The sooner the market hits real bottom, the better it will be."

However, Mr Kharafi says that Kuwait's international standing must not be damaged by fall-out from Souk al-Manakh. The outside world had to be fully aware that the Government of Kuwait would underwrite the obligations of institutions with external commitments. As for those local companies "which had been playing Monopoly on a large scale," Mr Kharafi believes they should be allowed to sink in order for the true value of money to be appreciated.

The root cause of Kuwait's problems in recent years had been the unrestrained rate of economic growth. "Kuwait has been performing like a very fast racehorse," he said. "It has been completing the course in half the expected time and then has to wait around for some-

thing to do next. A five-year plan tends to be completed in the first 18 months. And the problem has been made far worse by the lack of a competent jockey to control the horse."

Mr Kharafi argues that the appearance of a budget deficit would prove beneficial to the country if it provoked a serious reassessment of long-term economic, political and social aims. The decline in oil revenues should help to concentrate the Government's mind on alternative forms of income and particularly on the best strategy for investing the country's surpluses.

"We must concentrate on improving our investment programme and ensure that it yields returns from several different parts of the world. We need to build those bridges with other countries in the way which we have already done with the purchase of Santa Fe

and with Gulf Oil retailing outlets," he said.

At the same time, Kuwait needed to re-examine the policies which had brought in expatriate workers into the country and the impact that this had made on the three main spending Ministries: Education, Health and Electricity. For example, Mr Kharafi cited the Ministry of Education and asserted that only 35 per cent of its expenditure was for the benefit of Kuwaiti nationals. The figure for Health was even lower at about 33 per cent.

"We must reconsider this situation which has created so much activity and so many facilities—all free of charge—for these people. And we must remind ourselves that the more we bring in the more it is going to cost us."

Mr Kharafi is also highly critical of the public sector's burgeoning wages and salaries bill and the lack of motivation provided for people to work in the private sector. The budget as presently constructed was, he asserted, just a "spending Budget. It provides no motivation at all for additional activities." To this end he would like to see Government employees able to take on addi-

tional jobs, provided that there was no conflict of interest.

During the past decade increases in wages had been due solely to the rise in oil revenues. "The Government just spread the money around without any thought for the future."

Difficulties

Now that all revenues had stopped rising it was vital for the Government to reverse the trend of steadily rising expectations, he said.

"I accept that, politically, it will be very difficult to make this change, but we have to start preparing for it now. A 1,000-mile journey starts with a single step, and we have not even moved the first inch."

"We must not let it get to the critical stage and risk the choice between ever-rising budget deficits or riots on the streets. It is essential that we do not attempt to fool all of the people all of the time."

Mr Kharafi believes that the teachings of Islam could prove a positive way of motivating the population, provided they are correctly interpreted.

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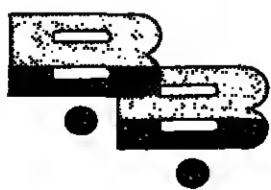
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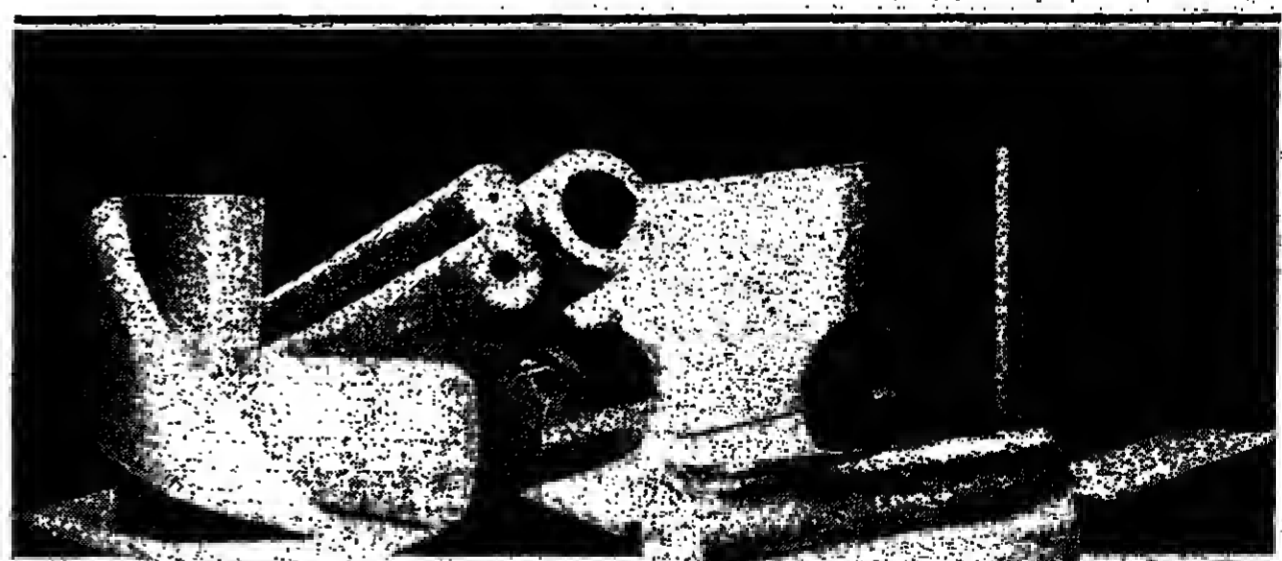


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POLITICAL VIEWPOINTS: ISLAMIC LIBERALS AND THE FUNDAMENTALISTS

Working towards more flexibility

PROFILE: Ismail Al-Shatti, Editor of *Mushamma* magazine, board member of the Social Reform Society and director of the Institute of Applied Technology.

Although often described as a leading Muslim fundamentalist, Mr Shatti rejects the label. "I think of myself as an Islamic liberal," he says. "Within the Islamic current there are, like other movements, certain tendencies. There are those who might be called fanatics, others who are centrists and still more who might be described as the right."

"For example, the fanatics believe that the Koran provides not just principles but also the details of life. They do not see any need to tailor the principles to modern life and the present century in which we live."

"I also believe in the principles set out in the Koran, but I believe that the details have to reflect modern society."

"For example, as a liberal I see nothing in our religion which dictates that a woman should stay indoors. A woman is just as responsible as a man when it comes to the day of judgment. Women should therefore enjoy equal rights."

However, Mr Shatti's beliefs do not prevent him working

politically with co-religionists who refuse to shake hands with women and are bitterly opposed to them being granted any wider role in society.

He argues that the very fact of working together politically will temper the extremists' views. Mr Shatti claims close personal knowledge of this process.

"Ten years ago I was among the most extreme of all fundamentalists—very, very extreme. Then I went to Cairo to study and immediately began to develop, once I had left the isolation of my group. I then went on to complete my masters' degree in the United States and saw another world."

"I had to review my approach to life. One result was that, when I returned to Kuwait, I tried to get my group more involved in political life and inevitably greater involvement means greater flexibility."

Mr Shatti believes that this involvement has had a political impact on Kuwait and on the National Assembly but argues that it is absurd for anyone to be afraid of his group. "We have the people with us. They believe that we are more honest and maintain faith in our religion. We are without corruption and work in the best interests of the country. This is recognised by the people. So, if

anyone is afraid of us it means they are also afraid of the people."

Mr Shatti also asserts that the Social Reform Society is only interested in putting forward its ideas and is not involved in attacking others.

"Personally, I am quite happy that the Sharia should be a source of legislation and not 'the' source, although some of my colleagues do not believe that is enough. However, I think that the present

'We are a small country... we also have greedy neighbours who might like to eat us.'

wording gives us the authority to make Islamic law and if we ask the country's leadership for more, then we push them into a corner.

"The Government fears that if we amend that article of the constitution it would mean an immediate change of the way of life in Kuwait. However, we do not have any ready-made system to substitute."

"I believe in gradual change and, on this, I am with the Government."

But change there must be. "At the moment most Kuwaitis are just consumers—in an American car, the summer

holiday in London, an expensive house here, another on the Cote d'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment, whereas we have to plan for security in the future. We must stop being so naive and, instead, start to invest in people and a framework for the future. We have to be productive and strong and whichever way we eventually decide to develop, the people have to be prepared."

Mr Shatti suspects, however, that the "Islamic current" may not fare well in the forthcoming elections.

"In the last elections we were new. We did not have any enemies. Now that we have become a real political group we have friends, but we also have enemies. We have also made mistakes."

"In the last Parliament we were the only real Opposition, so the Government has tried to diminish our power and to limit us."

"In particular, we sometimes expressed our views in over-emotive language. This caused some alarm abroad as well and increased international pressure on the government. The legislation to prohibit alcohol for foreign ambassadors was an error. It gave the impression that we were fanatical. So we have created enemies among foreigners, in the Government

and in the Royal Family."

Nonetheless, Mr Shatti is confident that some of his colleagues will be successful at the polls.

"But if we continue in the same way, we will probably not be successful the next time round," he warned.

"This, he fears, would be of most benefit to the extremists who still tend to the belief that their objectives are best pursued as an underground group."

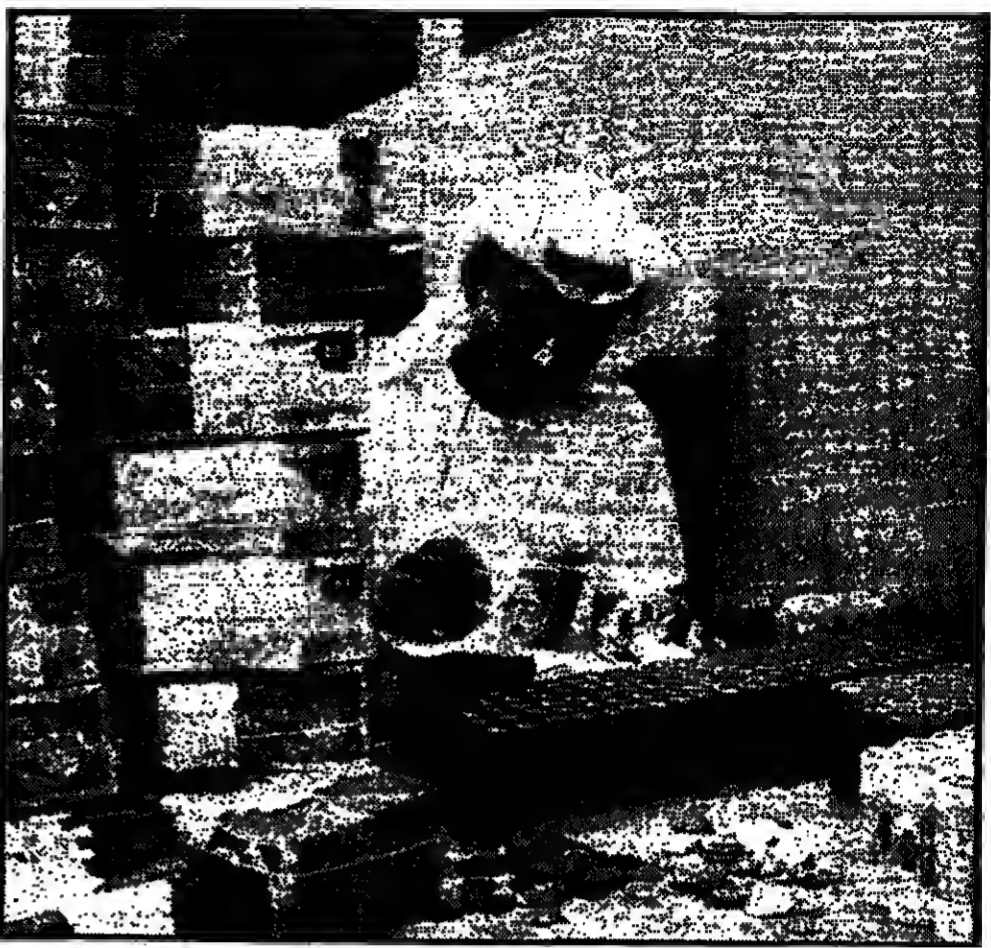
"If we fall in the elections they will certainly gain in strength," Mr Shatti predicted.

The great achievement of the past four years, he said, was that Parliament had completed its term. This was a notable success for a developing country and it was important to recognise the various balancing forces in the Kuwait equation.

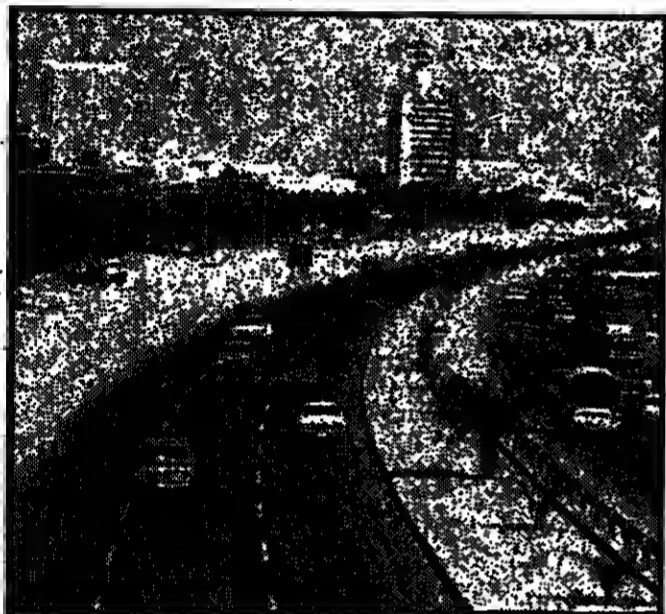
"We are a small country and we, the Kuwaitis, are a minority within that country. We have no power other than oil and money. We also have greedy neighbours who might like to eat us. At the same time the major international powers are interested in Kuwait and what happens here."

"Then, of course, we also have a Royal Family and we must respect its role in order to keep the situation balanced. In the past four years we have worked within these limits. Some share in the leadership of the country is very much better than nothing."

ROGER MATTHEWS



OIL RICHES: A bank official counting large bundles of banknotes. Most Kuwaitis, says Ismail Al-Shatti, are "just consumers—an American car, the summer holiday in London, an expensive house here, another on the Cote d'Azur. It is an extremely selfish way of life and a crime for the interests of future generations. People are living just for the moment."



Vehicles sweep along the broad highways of Kuwait. Despite the country's recent economic setbacks, it still has financial reserves of some \$75bn and, compared to other Arab countries, Kuwaitis "are living in paradise," comments Dr Ahmed Al-Khatib.

THE NATIONALIST VIEW

Strong defenders of the constitution

PROFILE: Dr Ahmed Al-Khatib, former member of the National Assembly. Candidate for 1985 elections.

"People like to try and simplify things, for example by referring to my group as nationalists. We are rather more than that," he says. "We are constitutionalists, democrats, nationalists, and a little bit leftist with rather more interest in the lower income groups."

Dr Khatib goes on to define nationalism as relating more to the group of Arab nations than to Kuwait alone.

"There is no room in this world for a small country trying to act alone," he says. "It is very much in our interests to be part of a much larger group."

But compared to those other Arab countries, Dr Khatib admits to living in a paradise "we have to be fair about this. We are living in paradise here in Kuwait. Although we may grumble, we do still have our constitution and we are very proud of it."

Dr Khatib accepts that some of his relatively outspoken political statements could well have landed him in serious trouble had he been living elsewhere in the region. He does not pretend, for example, to believe that the authorities in Kuwait have a very deep-seated commitment to democratic forms of government.

Instead, he points to the long tradition of democratic procedures in Kuwait which have survived despite repeated attempts to stifle them.

"The pressure for democratic forms of government goes back a very long way, including when we were under British rule," he says.

Dr Khatib cites the attempts made, since 1920, to create a National Assembly and to hold elections which were a fair test of opinion. And he offers no few examples of the way in which this process was hampered or more blatantly manipulated.

Dr Khatib doubts whether such tendencies have altogether been eliminated but he is confident that they are much more difficult to practise without the public becoming aware. He is also optimistic that younger generations which have had the benefit of a broader education will underpin the democratic process and will be

less likely to accept former practices without question.

"If we do not win election to the National Assembly this time, then something very obvious will have happened," declares Dr Khatib.

Six members of Dr Khatib's group have declared themselves as candidates. Their priorities, if elected, will be the protection of the Kuwait constitution, a just resolution of the Souk al-Manakh crisis and a clearly defined economic policy.

"The Souk al-Manakh crisis is without doubt, a really major issue because it brought into the light not just what had been happening but also other similar characteristics which have become more widespread in our society and are now much

better understood," comments Dr Khatib. "All that is good in Kuwait has been created by the people of Kuwait. We have done it through our industry and through our struggle to be independent and democratic. Souk al-Manakh is the product of a different philosophy. There was an attempt to bring in the new rich to replace the old rich, and it failed."

Dr Khatib insists that the Government should stop its policy of using large amounts of public money for the sole benefit of a small social group. At the same time far greater efforts should be made to protect the majority of Kuwaiti workers from the impact of official spending cuts.

On foreign policy, Dr Khatib would like to improve relations with the Soviet Union because of the importance of choosing "between friends and enemies, between those who stand with the Arabs in our battle against Zionism and those who back Zionist aggression against us." For this reason Kuwait had to differentiate between the United States and the Soviet Union — "We must befriend those who support us and oppose those who harm us," he says.

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Economic pundits agree that Kuwait is facing a 'management crisis'

Confidence has been shaken

AFTER three decades of steadily rising prosperity Kuwait is being forced to grapple with the unusual experience of relative recession.

Confidence in the private sector has been shaken by three main factors: the levelling off in the growth of Government expenditure; the closeness of Kuwait to the Gulf war where each resurgence of fighting provokes new nervousness; and, of course, the continuing reverberations from the crash of the unofficial Souk al Manakh stock exchange.

How much further confidence has yet to fall is debatable, but in the absence of a dose of really good news—such as a negotiated end to the Gulf War—there is little reason to believe that an upturn is just around the corner.

The problem is compounded by the belief held by many Kuwaitis that the current down cycle is a momentary hiccup. Indeed, many of the attempted solutions to the Manakh problem presuppose a swift upturn in the economy, thereby perching the seeds for a fresh crisis.

The recession has, however, served to generate a debate about the basic structure of the economy. Some of the more pessimistic in government argue that the country should concentrate on developing as a financial service centre and abandoning pretensions to any industrial base. But with 40 investment companies in Kuwait already in difficulties, that avenue would seem to be not so easily achievable.

Opportunity

Other economists argue that the puncturing of the stock market and property balloon provides a real opportunity for putting industry onto a sound footing and of generating profits which are unrelated to share dealings.

What the pundits do all agree about is that Kuwait is going through a 'management crisis' and that until a corporate morality takes root in the country it will be difficult to assess the prospects for a uniformly solid and well-managed private sector.

There is still a great deal of money in Kuwait, not just in the hands of the Government but also with the merchants. Not everyone was seriously mauled by the Manakh collapse, and there are still many 'old money' families whose riches are untouched.

On the other hand, some 25,000 people hold shares in the

The economic downturn

KATHY EVANS

official market in Kuwait and only a handful of those provoked the disaster. Having allowed the market to operate with virtually no control, the Government would appear to have a moral obligation to those Kuwaitis who bought shares as a long-term family investment and are watching those shares continuing to plummet in value.

The Government finds itself trapped in a dilemma. It needs to provide the mechanism to prop up and even increase current value of shares and it has to do this to prevent a growing number of foreclosures by the banks, and a further erosion of bank collateral. If the value of assets continues to decline in Kuwait more people will become insolvent. This, as the Government knows full well, will cause further political and social problems.

Some financial experts believe that there is still a danger of the downward spiral gaining momentum. As each bankruptcy is declared, confidence will decline further, and share prices and land values will go down even more, setting off yet more bankruptcies.

Yet it is difficult to see what can be done to prevent further declines in asset values. Any attempt to boost share prices will be artificial and will perpetuate the unreality of share values compared with profits and earnings.

Many experts believe that share prices still have a long way to go before they reach their true value. The Government already owns 50 per cent of the market, and any further purchases, beyond the \$2.8bn arouse protests of wholesale nationalisation.

Some stock market analysts

believe that the Government already owns too much and investment options are already too narrow. The turn-up, if it comes, will artificially boost prices, thereby laying the foundation for the next boom and bust cycle.

In the case of property the situation is even more difficult, for Kuwait land values will only appreciate when confidence in the country, and the economy, returns.

Land values have fallen 50 per cent in the past year according to some estimates, but they are still not at a realistic level.

The Government, however, does have the mechanism to boost prices, through the annual land purchases budget which appears each year in its capital expenditure programme. But the sums required to be spent to push the market up would be enormous and again this may prove unsuccessful if there is no underlying confidence. Already, market sources are talking about a possible \$2.4bn being ploughed into this sector in the next budget.

Unrealistic

Rents, too, are falling. In the past year, they have dropped by about 30 per cent and local real estate agents say there could be another 10 to 15 per cent drop in 1985. Key money has already disappeared.

But as bank economists point out, rents were at totally unrealistic levels, anyway. A three-bedroom apartment in the city rented at anything between \$1,800 and \$2,700 a month only a short time ago.

Office rents reflect the same picture, with prices in prime areas falling by as much as 50 per cent.

According to municipality estimates, there is enough office accommodation to soak up the next two years' demand, without one more block coming on stream. (There are ten due for occupation shortly.)

The local office of Cluttons the UK estate agency, foresees a further 20 to 30 per cent adjustment downwards this year.

If shares and land look doubtful avenues for investment, what then are the prospects for industry? Until now, most of Kuwait's industry is based either on the local market or directed at export in the region. However, with a recession in the Gulf, demand is down.

The only industry that is going to succeed at this time is one which is well-managed, operating costs well trimmed and lean, with local tastes researched and the final product marketed well. Very few of Kuwait's existing industry meet those criteria at present, say officials of the country's Industrial Bank.

Good management can make all the difference, argues IBK. Gulf Paper, for example, which was taken over on a friendly basis by the bank following the bankruptcy of some of its shareholders, has been able to triple its output within two months.

Kuwait Sanitary Wares, another Manakh victim, has gone into liquidation and IBK is starting from scratch. Nevertheless, they believe that with changes in design of the product and a tightening up in costs, the plant can reopen on a viable basis.

"We are creating something out of them," said an IBK official.

Government budget

Revenues	(KD million)			
	Closing 1982/83	Draft 1983/84	Effective 1984/85 (9 months)	% of year budget
Oil	2,230	2,785	2,119	79
Non-oil	372	249	285	80
Total	2,602	3,037	2,404	79
Expenditure				
Current	2,397	2,584	1,851	65
Development	542	662	362	46
Land approp.	300	150	93	62
Total	3,240	3,376	2,046	61
Investment income	1,657	NA	NA	NA

Source: National Bank of Kuwait

Kuwait Sanitary Wares was one of the publicly listed companies which in the past had made its profits out of share dealings rather than manufacturing.

Kuwait Tyres is another such company. Significantly, the company is to be liquidated, having never manufactured a tyre since its inception in the late 1970s. It is to re-emerge as a holding company for a part share in a tyre plant to be established in Saudi Arabia.

Incentives to industry in the Kingdom are more generous than in Kuwait, with industrial loans granted at 2 per cent instead of 5 per cent per annum.

IBK officials say that talks are going on with other GCC states to eliminate this competition between them but until a uniform policy appears industry is likely to drift towards the country which offers the most.

Given such unappealing prospects in the three sectors it is hardly surprising that the pressure is building up on the Government to do something to reinvigorate the economy. Attention is likely to focus on an increase in development expenditure in the new budget.

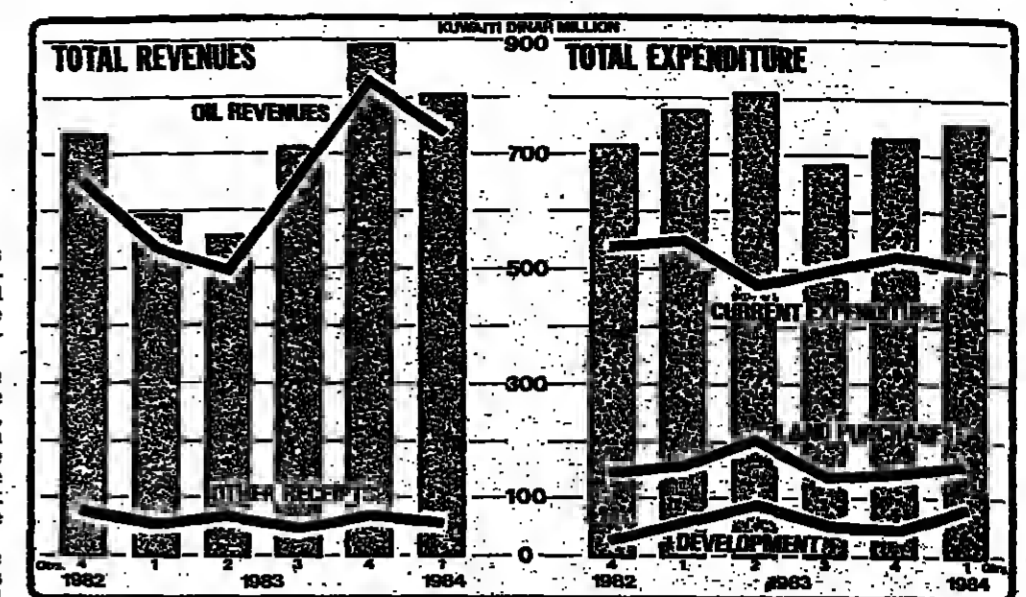
Until now, the Government has passed the responsibility to the private sector and requested it to form a study group to come up with proposals for the cabinet on ways to inject life into the economy.

Uncertainty

A committee of 24 prominent merchant and investment experts has been selected and they are due to make their report in February.

But until confidence returns any injection of funds by the government into the economy will probably end up outside the country. Bankers point out that the gradual erosion of the Kuwaiti dinar against the dollar has made such transfers even more attractive, for the foreign exchange risk has been cut to a minimum, barring a sudden reversal in the fortunes of the dollar. The uncertainty over the future regulations from the Central Bank has also been another factor.

Meanwhile, bank credit is barely rising, money supply (narrow definition) is actually falling while the net foreign assets of the banks and their



balances with foreign banks is increasing. Even the number of bank clearings is declining, reflecting the cutback in the public's level of spending.

Additional funds are being shifted into fixed deposits, as consumers put money aside, biding their bets on the future. Quasi money has increased from KD 3.2bn to KD 3.5bn in the first 11 months of 1984.

Imports in the previous year fell by 9 per cent illustrating the decline of the re-export market, particularly to Iraq.

The business sector, too, has been hedging its bets. There was a 27 per cent decline in the floor area approved for construction, bank credit to industry fell by 17.7 per cent and there was a drop in the price of building materials because of slack demand.

The Government has been prodded into agreeing a set of measures recommended by the local chamber of commerce. The chamber urged the imposition of a minimum protection tariff of 30 per cent for new industries, the creation of an import-export bank and the establishment of free zones. All these have been agreed in principle, but nothing has actually happened yet.

The Government has agreed, however, to place all construction contracts with local companies, speeded up the housing programme, and increased its development expenditure. Total allocations for the 1984-85 period amount to KD 3.6bn against a previous figure of KD 3.4bn, an increase of 6 per cent.

Development spending is projected to go up by a 22.6 per cent to reach KD 812m compared with KD 622m. It is likely that the Government will be pressured into

further reductionary measures in the forthcoming budget. However, such pressure from the business community occurs at a time when the Government is attempting to rationalise its expenditures to bring them more into line with the declines in revenue.

The budget already contains a theoretical deficit of KD 704m because the state has consistently refused to take into account its investment revenues. In practice, even without the investment income, the deficit in the previous budget of KD 678m translated into an actual surplus of around KD 100m because of underspending, say Government officials.

Oil prices

The oil revenue in the current budget was projected to show a growth of 4.5 per cent to total KD 2.9bn as against KD 2.7bn in 1983-84. However, since then, Kuwait has had its quota cut by Opec from 1.65m b/d to 0.9m b/d, and it also faces a softening price.

Investment income has also suffered from other factors, notably the withdrawals which have been necessary to pay for the attempted solutions to the Manakh crisis. Over \$7.5bn has had to be liquidated to fund the stock market purchases, the small investors fund and the loans given to KFTCIC to help out the medium-sized dealers, including a member of the ruling family.

On top of this, investment income has been buffeted by the general decline in returns in the international market.

Not surprisingly, the revenue from general reserves the year ending June 1984 showed a 20 per cent decline from KD 1.6bn

to KD 1.2bn. Overall, the country's foreign assets grew by 4 per cent to reach about \$76m, largely because the Fund for Future Generations cannot by law be touched.

Kuwait's investment portfolio ranges over 45 countries, but no information is ever disclosed on amounts accounted for by local and regional investments and how much is high yield stocks and deposits overseas. The \$76m worth of assets also includes Kuwait's share in regional organizations and the various loans extended to the frontline Arab states and Iraq, most of which are regarded as assistance to brotherly Arab nations.

Income from reserves nevertheless represents a comfortable cushion for the future. Because of this cushion, the Government may find it more difficult to introduce the rationalisation measures it is seeking.

In the past few months, the Government has floated a number of suggestions to cut state spending.

All such suggestions have been met with outrage by the business community and the National Assembly. After all, it is difficult for the Government to talk of taxation when the people are still suffering from the recession and stock market crash. Most such schemes appear, therefore, to have been shelved, and are unlikely to emerge in the new budget.

The future financial and development policies of the Government are at the moment difficult to determine. They will have to await the selection of a new Cabinet which will follow the February 20 elections to the National Assembly.

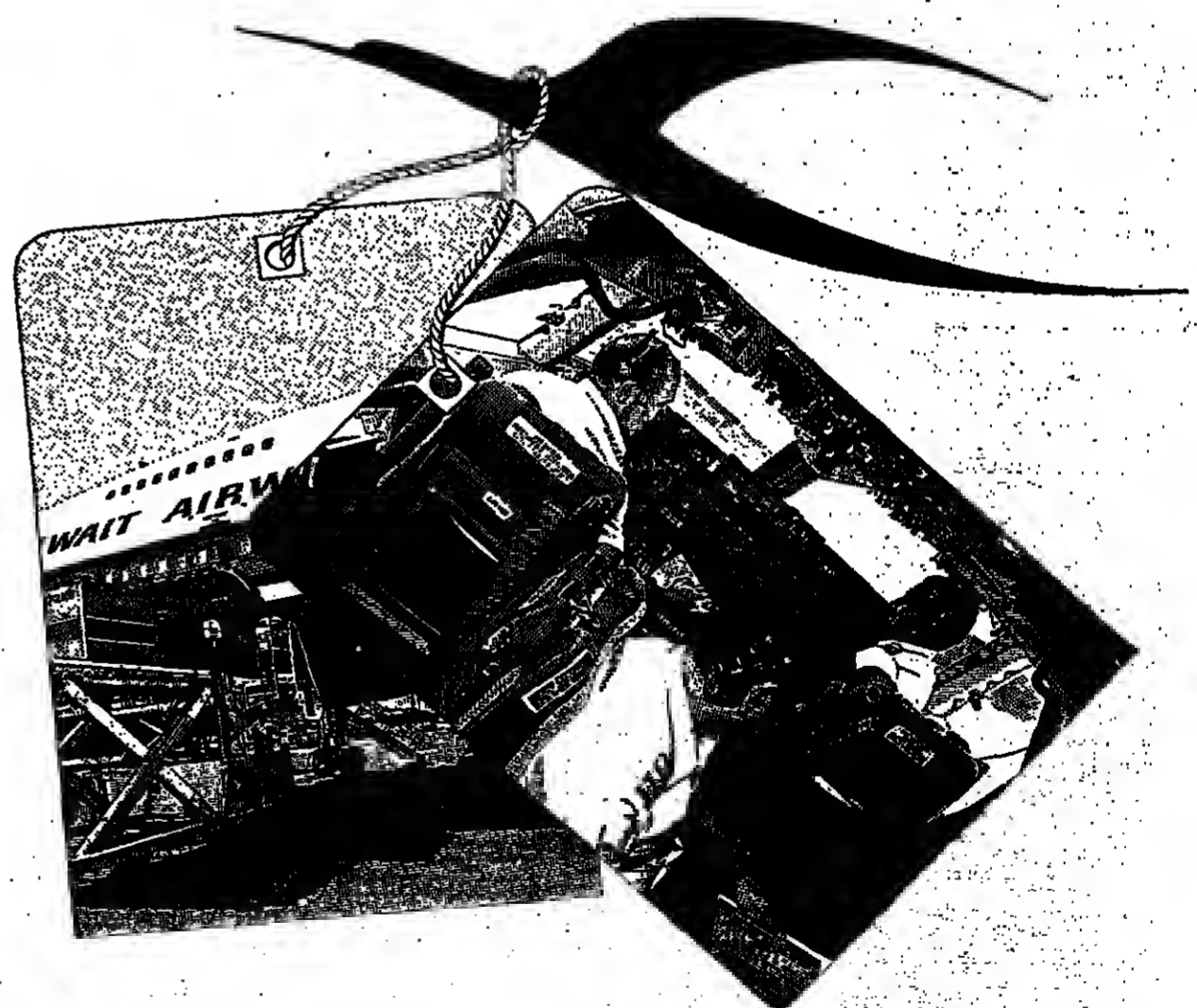
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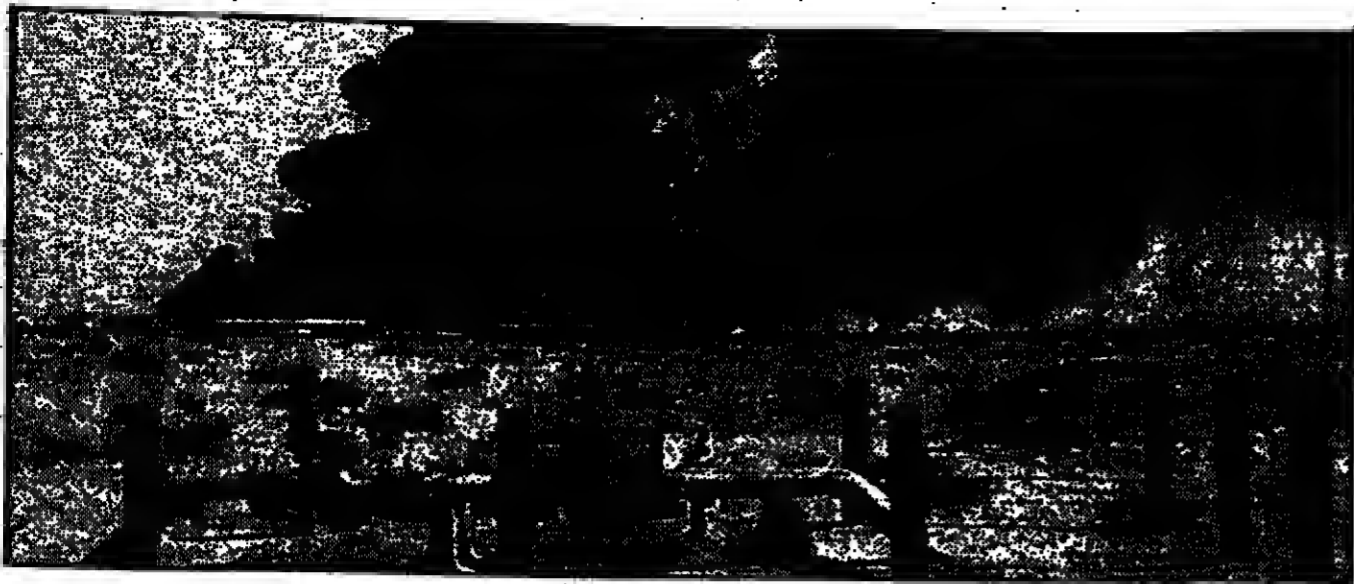
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Kuwait 5

The country has been obliged to cut its oil production over the past year in line with quotas allotted by Opec. The 'tanker war' has also affected the market



Fire engulfs Kuwait gas installations near the Iraqi border. Two of Kuwait's own tankers have also been hit by Iranian aircraft

Market slide continues

The oil industry
KATHY EVANS

FOLLOWING the conclusion of an Opec agreement this month, the differentials between light and heavy oils has been eroded. Kuwait's own crude price has bounced from \$27.40 a barrel before Christmas to \$27.55 at the start of the new year and back to its old level by February 1.

Kuwait's Burgan crude has thus maintained its traditional 10 cent difference against the price of Saudi Arabia's medium-heavy oil. But a number of buyers have warned that the heavy crudes must maintain their cheapness, particularly over the month's ahead when demand for oil traditionally slows at the onset of Spring.

The successful conclusion of an agreement between 13-member states of Opec has largely been the result of efforts by Kuwait's oil and finance minister, Shaikh Ali Khalifa Al-Sabah. However, in two weeks time, following the general election, the cabinet is due to be reshuffled.

Most opinions in Kuwait believe that, if Shaikh Ali is forced to choose between the two portfolios, then he will opt to remain oil minister and the chairman of Kuwait Petroleum Corporation.

Over the last year, Kuwait has been obliged to cut its production in line with the quotas allotted by Opec. Production is now standing at around 900,000 b/d, compared with its previous quota of 1.05m b/d.

Excluded from this figure is the production of the Arabian Oil Company in the offshore neutral zone which is shared with Saudi Arabia.

Kuwait's share of the field amounts to around 120-150,000 b/d, which is sold on Iraq's behalf as Kuwait's assistance to the war effort against Iran. It is not known yet whether this war relief crude will continue to be sold for Baghdad when Iraq completes the two pipelines it is planning which will boost Iraqi production by one million barrels daily.

Diminishing

Kuwait's importance as a producer of crude is already diminishing with more than half of its oil now being exported in the form of refined products. By the end of next year, its refining capacity will go up even further to 640,000 b/d. In addition, KPC subsidiaries are among Kuwait's largest crude oil customers, absorbing on the average about 100-120,000 b/d which goes to the European refineries.

The figures for July and November of last year highlight just how important the refined products exports are becoming. Out of a total export output of 870,000 b/d in July, some 381,000 b/d went out in crude form and 488,000 b/d was exported as products. In November, the figures were 317,000 b/d of crude exports, and 553,000 b/d went as refined products.

Deliveries to local power stations fell to 31,000 b/d and 22,000 b/d respectively over the two periods.

One of Kuwait's major crude oil customers is Chinese Petroleum Corporation of Taiwan, which is currently buying 75,000 b/d in a direct deal with KPC, down from 95,000 b/d the previous year. The contract is due to be renewed at the end of the first quarter of this year, but in view of Taiwan's declining need for heavy crude, the contract volume is likely to be reduced. Taiwan has now commissioned its first nuclear power station and thus needs heavy fuel oil and is turning its attention to light crude producers in Brunei, Malaysia and Indonesia.

With the Japanese, the Kuwaitis have mixed relations. Idemitsu is its sole term-contract customer and is thought to be considering its 15,000 b/d contract.



Kuwait's oil revenues have more than halved since the 1979-80 financial year. Market analysts also predict that prices could soften further. Above: oil tankers loading at Mina Al-Ahmadi

Kuwait's foreign trade

Description	1981				1982				1983			
	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Total exports	1,012	1,037	942	765	726	821	818	766				
Oil exports	863	888	800	639	596	696	680	662				
Other exports	149	149	142	126	130	125	138	104				
Export of Kuwait	41	33	34	35	32	26	—	—				
Re-exports	108	112	106	94	98	99	—	—				
Total imports	493	486	568	580	650	568	599	541				
Balance of trade	519	551	374	185	76	252	219	225				

Source: National Bank of Kuwait

Other Japanese trading houses are occasional buyers from Kuwait, picking up cargoes when necessary. Mitsui, for example, does a swap deal with KPC, selling them Nigerian crude for their Denmark refinery, and taking heavy crude for Japan. One million barrels of crude was involved in such deals for January alone.

Among Kuwait's other major customers for crude are Shell, Aspropyros Refining Company (Greece), the national oil companies of the Philippines and Korea, and the refinery in South Yemen.

Kuwait's market perspective is due for a change over the next 12 months for by 1986 the state will also be able to offer a choice of crudes when its new Magwa crude comes on stream.

The new Magwa crude has a quality of 35 deg API compared with the present crude mix of 31 deg API. Some 50,000 b/d is due to become available next year of the Magwa crude and within the next four years the field will be capable of producing some 20,000 b/d. As Shaikh Ali Jaber, managing director of marketing for KPC, says: "It will give Kuwait greater manoeuvrability in the market."

In the last year, the "tanker war" has also affected Kuwait's market situation. Two of Kuwait's own tankers have been hit by Iranian planes. During tension in the Gulf last summer buyers backed-off lift-

ings from Kuwait's oil loading terminal at Mina Al-Ahmadi and KPC was obliged to initiate shuttle services to Khor Fakkan off the UAE coast to carry-out ship-to-ship transfers. A premium was applied to these Khor Fakkan shipments, which at times reached "unacceptable" levels of between 20 and 40 cents a barrel. Many customers believe that the high premium was, in fact, designed as an "entice-

ment" to them to return to Kuwait, thereby illustrating to the shipping world Kuwait's security.

The premium angered a number of Kuwait's buyers, who complain that KPC is too quick to apply surcharges.

"They should give us assis-

tance during such times to show their sincerity," one commented, adding that the insurance rates finally proved cheaper than the premium.

KPC officials say they merely wanted to provide their customers with the option of lifting at Khor Fakkan and that the premium charged was equivalent to the costs of running the shuttle service.

"It is equivalent to their savings of not coming into the northern Gulf," says Hamd Hussein, a senior marketing official for the corporation.

Security is still of concern to Kuwait's oil buyers. In recent weeks some of the Iraqi strikes have come alarmingly close to the channels designated by the Kuwait Oil Tanker Company (KOTC) as its secure shipping lanes.

KOTC is still handling the bulk of the country's LPG exports, and a substantial portion of the country's refined products exports are being trans-shipped into customers' tankers off the UAE coast. The oil majors, in particular, are said to be still reluctant to come into the Gulf.

Fleet plans

The Kuwait Oil Tanker Company is presently planning an increase in its fleet and tenders are being circulated around the world's shipyards for a further six product carriers.

Three of the ships will be 120,000 dwt and three will be 35,000 dwt. Bids are expected to be received later this month. KOTC officials say that the decision to build their own vessels is a reflection of the current low costs of shipbuilding.

"The ships we want are not available on the market, and we can save a few dollars by ordering them now. Over a 17-year period, this works out at pennies," comments Capt. Tim Stafford, head of operations for KOTC. The six product carriers will supplement the company's total tonnage of 2.3m dwt.

With tension in the Gulf easing, KOTC felt confident enough by July to decide to run its fleet without any insurance. KOTC officials were angered by the high war risk rates levied

at the time by Lloyds, and decided that repairing casualties was cheaper than insuring the entire fleet.

The decision to build further product carriers was a reflection, say KOTC officials, of the KD 1.4bn expansion programme underway to expand the domestic refineries. This expansion programme will increase Kuwait's refinery products capacity from a present level of 480,000 b/d to 640,000 b/d by the end of 1986.

This large outlay on refineries will necessitate a further call-up of capital in the next few months by the Kuwait Petroleum Corporation. KPC's current authorised capital is KD 2.5bn, of which KD 1.6bn has been paid in.

Profits fall

The company's net profit in the 1983-84 fiscal period was KD 280m, compared with KD 307m in the previous year. The decline in net profit was due to "reclassification" of some of the income, says Abdul Hadi Awad, KPC's financial manager.

Total revenues were KD 4.53bn compared with KD 3.7bn in the 1982-83 period.

Total assets went up by KD 900m to reach KD 4.9bn. European refining activities broke "more or less even," says Awad, with Italy, Sweden and Luxembourg providing the most profitable areas. Sante Fe operations generated about \$1.8bn in revenues, he says, though their profits were lower than the previous year.

KPC's overseas exploration arm, KUFPEC showed a deficit of KD 2.98m compared with a previous handsome surplus. However, this is the result of increased expenditure by KUFPEC in exploration and the expenses incurred in its role as an operator in Tunisia and Bahrain. Total expenditures for the 12-month period ending December 1983 were KD 13.15m compared with KD 13.46m for the previous 21 months before the end of 1982.

Until now, KUFPEC had been making most of its money from interest income which in 1983 amounted to KD 9m. However, a concession in the South China Sea held in the name of Sante Fe with Arco as an operator, has struck gas in commercial quantities.

The find is said to have reserves of 3 to 4 trillion cubic feet, which although small by Gulf standards, could, nevertheless, play a role in alleviating Kuwait's own gas shortage problem.

So far, some KD 6.42m has been spent on the China venture on both pre and post-acquisition costs.

Last year was comparatively quiet for KPC in terms of foreign acquisitions, for the only confirmed purchase was for a small Houston-based exploration company, Enstar. KPC did try for Chevron in the U.S., but was outbid by Shell.

The corporation's general overall strategy concerning future acquisitions focuses on securing more marketing outlets so that the additional refined products which will be coming shortly from its own domestic refineries will find a market.

KPC officials say they are still interested in the British market, though talks with Gulf and Amoco appear to have dragged on with little result. The principle obstacle to the deal would seem to be the Milford Haven refinery which KPC officials say is too large.

The U.S. still remains an area of interest but slow progress is being seen in the legal case to secure rights in the principal world oil fields. The original decision of the Interior Department has been questioned by a court and the matter returned to them, though this has yet to lead to a decision by the U.S. Government reversing the original ban.

KPC officials say they are basically prepared to look at anything in the principal world markets "providing it is not too expensive—more than \$1bn or something," remarked one senior executive.

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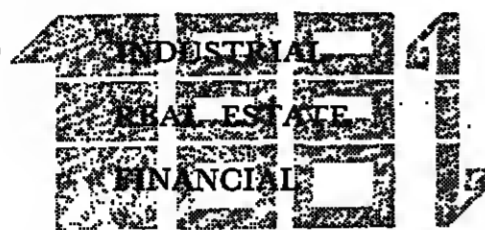
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Offshore exploration for gas supplies has been hampered by security considerations New moves to offset shortages

The gas industry
KATHY EVANS

ONE of the most frequent laments from Kuwait's oil and finance minister, Sheikh Ali Khalifa al Sabah, is that every time a hydrocarbon find is made it is oil rather than gas. With the current decline in world demand for oil, Kuwait is suffering a shortage of associated gas. To have sufficient gas for its power stations, the country should produce about 1.2m b/d of oil. Its current Opec quota is 900,000 b/d.

So far, exploration onshore has yielded only crude oil, and the search offshore has been hampered by security considerations and the proximity to the war zones and Iranian waters. The latest crude oil find in the south of the country, the Magway Field, inevitably will produce more associated gas, and there is thought to be a higher gas/oil ratio than in Kuwait's existing medium-quality oils.

Just how much gas can be expected from the field has not yet been disclosed although preliminary output figures indicate an eventual crude production rate of 200,000 b/d. The field is due to be commissioned at the beginning of next year, starting at 50,000 b/d with annual addition of the same amount until the 200,000 b/d is reached.

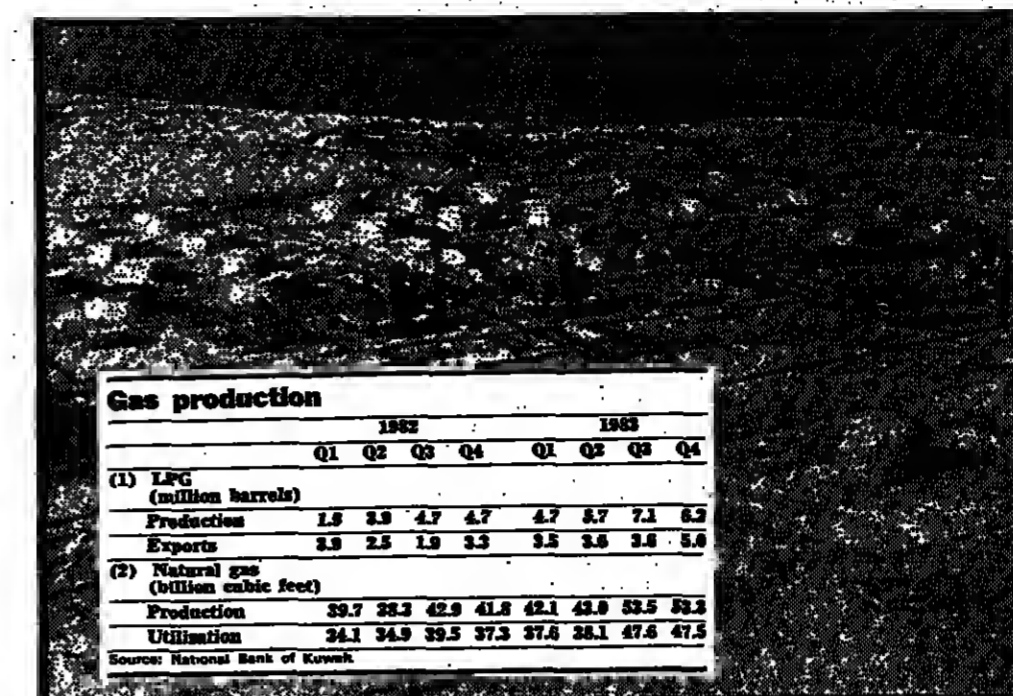
High cost

This shortage of gas is costing Kuwait dear. The LPG plant is running at less than a third of its capacity, output at its petrochemical plants are well down, and the power stations have to make use of heavy fuel oil and crude to offset the lack of gas. Those products could be exported.

Not surprisingly, Kuwait has made overtures to overseas gas suppliers, but given the present insecurity in the Gulf, plans to import LNG have been put on the backburner for the time being.

Perhaps the most telling symptom of this present gas shortage can be seen at the Shuaiba plant. Designed for a national crude oil output of 3.6m b/d, the plant consists of three trains using 560m cu ft of gas daily and 40,000 b/d of gas liquids. At present only one train is being utilized at the rate of 75 per cent of its capacity.

Another train has been mothballed since September 1982, and the third remains on



standby for faults and maintenance in the operating train. Adel Saadhan, chief co-ordinator at the plant, says ruefully: "The plant has never really worked at full capacity. We did run all the trains for a few months, but only for test purposes."

Current throughput of gas into the plant is only 400m cu ft a day with 30,000 b/d of liquid feedstock. This gas is received at only nominal cost. If, however, production goes down further to, say, a level of 60,000 b/d, then LPG production could look economically questionable.

Current exports are running at about 45,000 b/d of propane, 30,000 b/d of butane and 25,000 b/d of natural gasoline. Exports were carried mainly in KOTC LFG tankers as Kuwait's foreign customers are still reluctant to bring their own carriers into the northern Gulf.

However, the LPG plant is directly connected into the network of Kuwait's petrochemical plants and the power stations. Hence the impact of the gas shortage has caused Petrochemical Industries Company (PIC) to record a further \$28.8m loss in the period ending June 1984, compared with the previous year's figure of a \$9.5m loss.

Abdul Bageer al Noori, chairman of PIC, says that last year the ammonia plant was receiving only 40m cu ft of gas daily, though of late this figure had improved to around 55m cu ft daily. Total design capacity would call for 142m

cu ft a day with the fourth ammonia line in operation.

The fourth line, which came on stream last year at a cost of about \$30m, was conceived nearly five years ago when oil market prospects looked very different.

Future prospects, al Noori concedes, do not look any brighter, but he points out that the shortage of gas at the plant forced the company to make more efficient use of the gas they were receiving. However, PIC's chairman is even talking of a prolonged period of maintenance during the summer when gas requirements are at their peak for air conditioning.

Decisions

Other KPC officials say that the decision temporarily to close the ammonia plants would largely depend on existing contracts with customers and the world ammonia market. Any decision would only be taken after very careful consideration by the board as a whole.

The other main claim for the lean gas from the LPG plant is the Ministry of Electricity and Water. The shortage of gas at the power stations is being made up by the use of about 20,000 b/d of crude oil and heavy fuel oil. These alternatives may be less environmentally desirable, but as one KPC official put it: "The public would rather have power and

pollution than no power and less pollution."

The company is presently installing a treatment plant which will de-sulphurise the heavy fuel oil, thereby reducing the pollution.

Local market sales in the 1982-83 period went up by 33 per cent largely because of demand from the Ministry of Electricity. Its gasoil consumption went up to 12.5m barrels per annum as the shortage of gas became evident.

It was this consumption of petroleum products which encouraged KPC to look at possible alternatives. One option was to import LNG which could be directly piped into the power stations. A special carrier, the Gaz al Rawdatain was acquired and vapourisers installed so that the LNG could be treated on board ship before reaching the shore. Shore installations have already been completed.

Although the machinery is in place, the plan has not gone ahead for several reasons. Talks were opened with several potential suppliers, Algeria, Indonesia and Abu Dhabi, but attention focused on the latter. Having such a nearby supplier would have allowed additional imports for shipment times would have been much shorter than the alternatives.

However, any talks on LNG imports from Abu Dhabi, which require negotiations with Japanese area not only a share-

holder in the Daz Island plant there, but the Tokyo Electric Power Company its sole customer. The Tokyo company has also invested substantial sums itself into the Abu Dhabi connection through the investment in gas carriers to bring the gas to Japan.

Discussions were still going on as late as January during the visit to Tokyo of Kuwait's oil minister, but the Japanese did express concern over safety and security aspects. They point out that ship-to-shore transfers of LNG have never been done in the Gulf, and such an operation has to be handled extremely carefully because of the danger of explosion.

Strategy

More importantly, any plan to bring LNG into the northern Gulf has to be considered in the from Iran. The strategy to boost gas supplies through the import of LNG has been temporarily shelved until security conditions improve.

There were also reports of disagreements between Abu Dhabi and Kuwait on the price to be paid for the gas. All of Kuwait's gas customers at the moment receive their feedstock at only nominal cost. Any increase in the price of the feedstock, even close to market levels, could radically alter the economics of the petrochemical plants and force up electricity production costs.

The other hope for increased supplies of gas lies with the Southern gas fields project, a plan to harness the associated gas in the offshore neutral zone to the south. Kuwait has gone ahead with the project although in the past few months work has concentrated largely on the onshore facilities for receiving the gas.

Work on the offshore section has been held back by difficulties over permission from Saudi Arabia, say KPC officials. The stoppage of work is thought to be a reflection of a disagreement between Saudi Arabia and Kuwait over sharing the gas which will become available.

Sources say that Kuwait has offered to pay for gas which, under the sharing agreement, would go to the Kingdom. However, the Saudis have apparently made it clear that they would like to use some of the gas to boost their supplies on the east coast.

Talks are continuing between the two countries but until agreement is reached on who is to get the gas, and for how much, the southern gas field project would seem to be indefinitely delayed.

BUSINESS PROFILE

Conglomerate with diversity of interests

CAR SALES in Kuwait fell an average of 27 per cent in 1984. Other consumer goods are moving more slowly than they used to and customers are putting off paying their bills. For contractors, the market is increasingly more competitive as the volume of available work dwindles.

Despite all of this, the profits of the Al Mulla group of companies have been going up over the past three years. For contractors, this is because the management has made a virtue out of necessity and improved cost-efficiency, aided by a profit-linked incentive scheme which gives each department-head a direct interest in pushing sales and keeping both staff and customers happy.

But the sheer diversity of the group's operations has been a major factor in its ability to "buck the trend."

Although car sales are down (much less so than the market average, according to an Al Mulla director), the rental and leasing division has shown tremendous growth over the past three years, with 1984 being particularly successful.

Among the newer divisions which have forged ahead rapidly are office equipment and cleaning maintenance. The latter has the cleaning contract for the three 20-storey towers of Kuwait's Joint Banking Centre, and (in association with Fritchard Services Group of the UK) for the Basra Teaching Hospital in Iraq and Baghdad's Saddam Hussein International Airport.

The project engineering and electrical installation divisions have compensated for the effects of a depressed market by more than doubling their market share. The current order book includes KD 1.5m worth of work at the Kuwait Institute for Scientific Research (KISR), and contracts at the Shuaiba North Power Station, a district electricity distribution control centre, Commercial Bank of Kuwait head office, Hawail schools and the Arab Research Centre.

The domestic appliances and food sales divisions have also performed better in profit terms, if not in turnover. According to Arasalam Narenthran, the group's director for management accounting, this is due to stringent cost control, improved marketing techniques and—in the case of foodstuffs—a change in product lines to cater to cosmopolitan tastes and to the growing demand for tinned foods, chocolates and confectionery.

Working under the franchise of A and V Grant, Food restaurants, Mr Doran and Swenson's ice-cream ("in the rich tradition of old San Francisco"). Al Mulla has increased the number of its fast-food outlets from two to five, and is planning to export American-style eating to the rest of the Gulf, through sub-agents.

But despite their encouraging results, all these divisions are subsidiary of the automotive business, which is still the biggest contributor to Al Mulla group profits.

"Most outstanding overseas dealership" awards have been received from both Chrysler and Mitsubishi, in recognition not only of a good sales record but of substantial investment in back-up services.

A central warehouse with computerised stock control supplies four different service centres, including the Al Rai Garage which is claimed to be one of the highest privately-owned, air-conditioned service facilities of its type in the world. It has a floor area of 10,000 sq metres with 112 repair bays and space for 200 cars. Lit by mercury fluorescent lights and cooled to a comfortable working temperature.

This is in a region where rickety tin roofs over an oil-cooked backyard are often the norm. Unlike most exclusive agents, Al Mulla will repair any make of car, not just the ones they sell, and the quantity of spares they buy from other manufac-

Al Mulla Group - its scope of operations

- Electrical products (beginning in 1938): Agencies for GEC, Pirelli, Woods of Colchester and others.
- Automotive (1947): Sales of Mitsubishi, Chrysler, Plymouth and Dodge cars; commercial vehicles and trucks; custom-built vehicles (e.g. police vans, ambulances, armoured personnel carriers); used cars; parts and accessories; exclusive agency in Kuwait for Gulf Oil lubricants and greases.
- Domestic appliances (1947): Many U.S. and European agencies for household appliances kitchen utilities; Japanese hi-fi equipment; service facilities.
- Travel (1948): IATA agent for passengers and cargo services; general sales agent for MEA, KLM, Garuda (Indonesian airlines).
- Marine (1957): Powerboats (Glastron, Ham-

- mond, Chriscraft and others); Mercury outboards and Mercruiser stern drives; skis and other watersports equipment; service facilities.
- Project Engineering (1959): Design, supply, installation, operation and maintenance in the fields of air-conditioning, heating and ventilation, mechanical and electrical services.
- Advertising (1975): (In association with Grant and Kanyon-Eichardt)
- Heavy Equipment (1976): Agencies for Mitsubishi and NYK forklifts, Kato Cranes; Fleet sales and equipment bulk purchase orders supply contracts and tenders.
- Environmental Systems (1978): Refuse collection, street cleaning, waste disposal, (in association with Browning Ferris Inc. of Houston).
- Car Rental and Leasing (1978): 1,400 self-drive and chauffeur cars, (also agency for Interrent group); call taxi service.
- Fire Protection (1978): Fire prevention, detection and alarm systems.
- Office Equipment (1980): Agencies for Minolta Copiers, Oki Fax machines, BSI electric typewriters, etc.
- Engineering Products (1980): Agencies for protective coatings, AC control systems, industrial inspection and test equipment.
- Security Services (1980): In association with Securicor.
- Food (1981): Wholesale distribution fast-food restaurants.
- Cleaning and Maintenance Services (1981): In association with Pritchard Services Group, UK.
- Computer Services (1982): Agencies for NCR and International Brokerage and Leasing.

ture's appointed agents means they win preferential prices. The garage complex offers free tests on customer cars, to diagnose problems and to estimate the cost of repairs. The policy seems to have paid off in the form of plenty of repeat business.

Like most of Kuwait's big trading conglomerates, Al Mulla grew from a small shop in the Suk, selling domestic appliances and electrical goods. It was founded in 1938 when Abdullah Al Mulla Saleh (who was, at that time, Secretary of State for Kuwait) formed a partnership with Saleh Jamal, under the name of Saleh Jamal and Company. Their first agency was for GEC (UK).

Nine years later, Abdullah's older son, Bader, formed an associated company (Bader Al Mulla and Brothers) to go into the auto business, and by the time of Bader's death in 1969 the group had diversified into travel services, marine equipment and project engineering. Under his younger brother, Najeeb, the present chairman, the Al Mulla group has developed a dozen more activities with a total turnover of around \$150m a year and workforce of 3,000.

A unique feature of the Al Mulla group today is that it is run by a multi-national directors' committee on which the family members—Najeeb and his three brothers—can be easily outvoted by eight non-family directors, one of whom joined the company in 1952, eight years before the chairman.

MARY FRINGS

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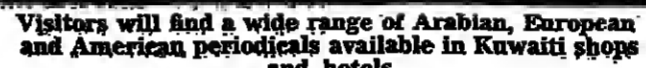
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telec: 44306),
Spring Continental,
PO Box 2175 Safat (tel: 642620;
telec: 23184).
Taxis
Both "private" and shared.

Arab Bank of Kuwait, Commercial Bank of Kuwait, The Gulf Bank, Industrial Bank of Kuwait, Kuwait International Finance Co., Kuwait Real Estate Bank, National Bank of Kuwait, Foreign/overseas branches;

organisations: GATT, ILO, IMF, ODAPEC, OPEC, UN, WHO, Arab Common Market, Arab Fund for Economic and Social Development, Arab League, Islamic Conference, Islamic Development Bank, Gulf Co-

Arab Bank of Kuwait, Commercial Bank of Kuwait, The Gulf Bank, Industrial Bank of Kuwait, Kuwait International Finance Co., Kuwait Real Estate Bank, National Bank of Kuwait, Foreign/overseas branches;

organisations: GATT, ILO, IMF, ODAPEC, OPEC, UN, WHO, Arab Common Market, Arab Fund for Economic and Social Development, Arab League, Islamic Conference, Islamic Development Bank, Gulf Co-



750,000 b/d planned by 1984 and increase in percentage of output refined to half of crude output—however following drop in output refined percentage, early-1983, put at over 65 per cent. Shuaiba refinery first

naturally suited to the country, and intensive effort is needed to counter problems like scarce (and brackish) irrigation water, soil deficiencies, climatic conditions, pests (e.g. red spider). Besides irrigation, hydroponics

Description	1982	1983 Third quarter	1983 Fourth quarter	1984 First quarter
1—New entrants				
A—Distribution by				
Arab nationality	68,779	19,254	15,992	7,752
Egyptian nationality	29,480	6,664	4,513	1,427
Egyptians	21,594	6,254	4,170	1,232
Asian nationality	36,664	11,977	10,940	6,650
Indians	12,223	3,100	2,496	1,274
Pakistanis	6,430	2,484	1,890	424
Bangladeshis	1,768	2,306	1,532	635
Koreans	3,555	551	441	720
European and American nationality	2,675	613	589	275
B—Distribution by sector				
Agriculture	2,345	728	792	214
Oil	217	111	29	1
Manufacturing	5,746	2,240	902	369
Construction	33,944	10,624	9,281	5,721
Trade	15,294	2,433	2,566	985
Transport	4,378	1,480	865	184
Financial services	1,768	515	171	68
Other services	6,437	1,201	1,032	259
2—Renewal of work permits	75,914	22,563	27,940	39,498
3—Transfers within private sector	10,897	2,680	2,935	4,910
4—Cancellations	29,852	4,864	5,262	6,832

Source: National Bank of Kuwait.

Exports, Main sector: oil (crude, typically around 75 per cent of total value; petroleum products, around 15 per cent). Also: machinery, entrepot trade.

Main destinations: Japan (typically around 25 per cent of total value); UK (8.9 per cent); Netherlands (7.9 per cent); Italy (6.9 cent).

Nature of political system

● **Business guide information** extracted in part from the Middle East Review, published by World of Information, 21 Gold Street, Saffron Walden, Essex CB10 1EJ (tel. 0799 21150; telex 817197).



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A black and white photograph of a 3x3x3 Rubik's cube. The cube is oriented diagonally, showing three faces. Each face is covered in a complex, high-contrast, black and white pattern that resembles a stylized, abstract design or a heavily textured surface. The patterns on the different faces appear to be interconnected, creating a continuous visual effect across the cube's structure. The lighting is dramatic, with deep shadows and bright highlights, emphasizing the three-dimensional form and the intricate details of the patterns.

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